

MOSSEL BAY  
**MUNICIPALITY**

# 2013 / 2014

## annual financial statements

## VISION

We strive to be a trend-setting, dynamic Municipality delivering quality services responsive to the demands and challenges of the community and our constitutional mandate, in which all stakeholders can participate in harmony and dignity.

## MISSION

- To render cost-effective and sustainable services to the entire community with diligence and empathy.
- To create mutual trust and understanding between the municipality and the community.
- To have a motivated and representative municipal workforce with high ethical standards, which is empowered to render optimal services to the community.
- To apply good and transparent corporate governance in order to promote community prosperity.

## VALUES

The community is our inspiration and our workforce is our strength in the quest for community development and service delivery. We therefore value:

- Work pride.
- Service excellence.
- Integrity.
- Loyalty.
- Accountability.



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## **GENERAL INFORMATION**

**Mayoral Committee:**

Alderlady M Ferreira (Executive Mayor)

Councillor H Levendal (Deputy Executive Mayor)

Alderman J van der Merwe (Chairperson of Finance, Human Resources and Legal Services Committee)

Alderman E Scheepers (Chairperson of Technical Services and Tourism Committee)

Councillor C Bayman (Chairperson of Human Settlement Committee)

Councillor P Terblanche (Chairperson of Community Services Committee)

Councillor V Fortuin (Chairperson of Social Services & Local Economic Development Committee)

**Speaker:** Alderman KH Smit

**Ward Councillors:**

1 Clr N R Mzola (ANC)	2 Clr N P Jwili (ANC)
3 Clr T M N Mkayo (ANC)	4 Alderman K H Smit (DA)
5 Clr J J Gerber (DA)	6 Alderman E Scheepers (DA)
7 Alderman J van der Merwe (DA)	8 Alderman N J Lodewyks (DA)
9 Clr E Meyer (DA)	10 Clr P Terblanche (DA)
11 Clr P A Du Plessis (DA)	12 Clr N P Malilwana (ANC)
13 Clr R Ruiters (DA)	14 Clr J C Bayman (DA)

**Proportional Representative Councillors:**

Clr N C Booisen (DA)	Clr L Boom (ANC)
Clr E M Booysen (ANC)	Alderlady M Ferreira (DA)
Clr V Fortuin (DA)	Clr SS Mbandezi (ANC)
Clr H Levendal (DA)	Clr F N Mdumiso (ANC)
Clr D Nqayi (DA)	Clr J Siyoko (DA)
Clr R Skombingo (ANC)	Clr D van Rensburg (ACDP)
Clr M M van Wyk (ANC)	

**Auditors:**

The Auditor-General  
Private Bag X1  
CHEMPET, 7442

**Municipal Manager:** Dr MR Gratz

**Chief Financial Officer:** Mr HF Botha

**Registered Office:**

101 Marsh Street  
Mossel Bay  
6506

***Postal address:***

PO Box 25  
Mossel Bay  
6500

***Telephone:***

(044) 606-5000

***Facsimile:***

(044) 606-5062

***E-mail:***

[admin@mosselbay.gov.za](mailto:admin@mosselbay.gov.za)

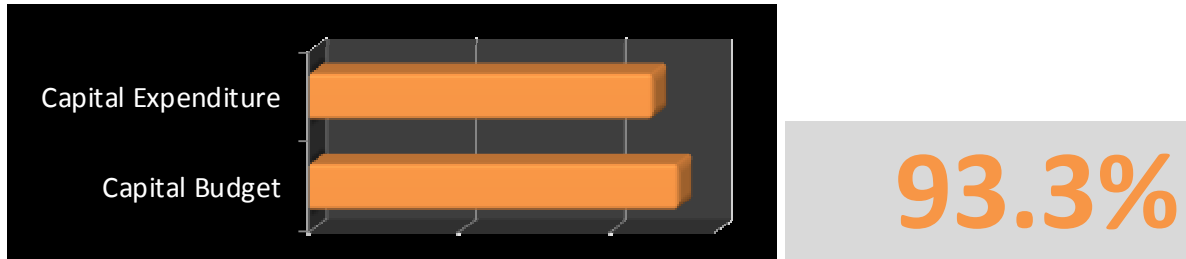
***Website:***

<http://www.mosselbay.gov.za>

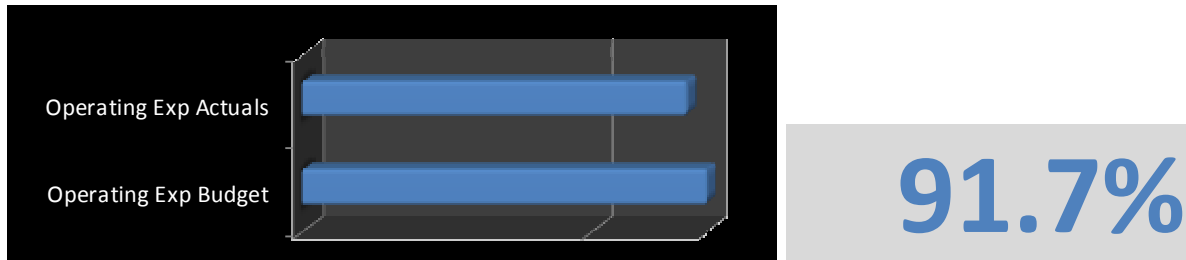
## REVIEW OF THE YEAR

### 1 FINANCIAL PERFORMANCE

#### **CAPITAL:**



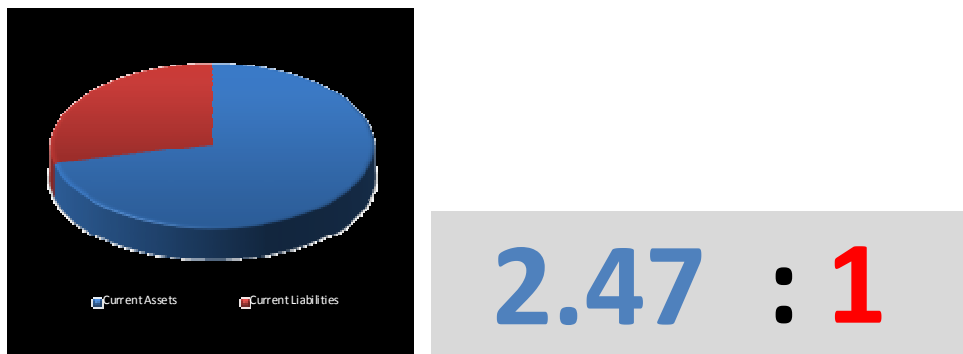
#### **OPERATING EXPENDITURE:**



#### **OPERATING REVENUE:**



### 2 LIQUIDITY POSITION



The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. This ratio has remained stable from the prior year when the ratio was 2.26:1.

### 3 CASH OPERATIONS

The Statement of Financial Performance shows a surplus of R 166.5 million, however there are various non-cash transactions that is included in the amounts presented on this Statement. If the non-cash transactions and contra transactions are taken into account the municipality's Statement of Financial Performance shows a surplus for the year under review of R 12.9 million.

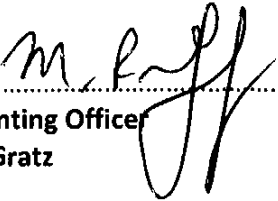
The table below shows the amounts as per the Statement of Financial Performance, the Budget and the Cash operations per Source of Revenue and Type of Expenditure:

Description	2014 Actual ( R)	2014 Cash Operations ( R)
<b>REVENUE</b>		
Property rates	82 522 290	82 522 290
Property rates - penalties imposed & collection charges	1 423 868	1 423 868
Service charges	429 921 691	429 921 691
Rental of facilities & equipment	11 485 535	11 485 535
Interest earned - external investments	13 968 480	13 968 480
Interest earned - outstanding debtors	204 014	204 014
Fines	16 440 921	16 440 921
Licences and permits	5 204 831	5 204 831
Government grants and subsidies and public contributions	151 503 329	54 672 603
Other income	117 468 170	40 559 221
Gains on disposal of PPE/Land	91 425	0
<b>Total Revenue</b>	<b>830 234 555</b>	<b>656 403 455</b>
<b>EXPENDITURE</b>		
Employee-related costs	201 346 005	186 292 304
Remuneration of Councillors	8 681 774	8 681 774
Bad debts	29 282 296	29 282 296
Collection costs	5 159 878	5 159 878
Depreciation	52 262 071	0
Amortisation - Intangible Assets	19 429	0
Repairs and maintenance	36 184 121	36 184 121
Interest expense	2 678 808	2 678 808
Bulk purchases	195 784 341	195 784 341
Contracted services	36 949 315	36 949 315
Grants and subsidies paid	1 004 781	1 004 781
Transfer Capital Grants	0	0
General expenses - other	94 439 216	141 437 109
Loss on disposal of PPE	837 722	0
<b>Total Expenditure</b>	<b>664 629 757</b>	<b>643 454 727</b>
<b>ITEMS NOT BUDGETED FOR:</b>		
Impairment on Investment Property	0	0
Fair Value adjustment	865 145	0
<b>Total Items not budgeted for</b>	<b>865 145</b>	<b>0</b>
<b>NET (SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>166 469 943</b>	<b>12 948 728</b>

**CERTIFICATION BY ACCOUNTING OFFICER**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 125 in terms of Section 126(1) of the Municipal Finance Management Act, No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 34 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.

  
.....  
**Accounting Officer**  
**Dr M Gratz**  
**Date: 29 August 2014**



## REPORT OF THE CHIEF FINANCIAL OFFICER

### 1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2014 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

### 2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2013/14 financial performance of the municipality to the 2012/13 comparative figures:

<b>RATIO DESCRIPTION</b>	<b>2013/14</b>	<b>2012/13</b>
<b><u>REVENUE MANAGEMENT</u></b>		
<i>Level of reliance on Government grants</i>	15.8%	16.5%
<i>Actual income vs Budgeted income*</i>	10.1%	-7.1%
<b><u>EXPENDITURE MANAGEMENT</u></b>		
<i>Personnel costs to total expenditure</i>	30.3%	30.6%
<i>Actual expenditure vs Budgeted expenditure*</i>	-8.3%	-10.0%
<i>Interest paid as a percentage of total expenditure</i>	0.4%	0.5%
<i>Repairs and maintenance / PPE (carrying amount)</i>	2.2%	2.4%
<i>Repairs and maintenance / Total expenditure</i>	5.4%	6.0%
<b><u>ASSET MANAGEMENT</u></b>		
<i>Acquisition of PPE – Actual vs Budgeted**</i>	-6.74%	-9.75%
<i>Stockholding period (DAYS)</i>	26 days	9 days
<b><u>DEBT MANAGEMENT</u></b>		
<i>Creditors payment period (DAYS)</i>	30 days	29 days
<i>Arrear debtors collection period (DAYS)</i>	26 days	24 days
<b><u>LIQUIDITY</u></b>		
<i>Current ratio</i>	2.5 : 1	2.3 : 1
<i>Acid Test ratio</i>	2.2 : 1	2.2 : 1
<i>Turnover of accounts receivable</i>	8.0 : 1	7.5 : 1
<i>Cash to Interest</i>	91.0 : 1	70.5 : 1
<i>Debt to Cash</i>	1.3 : 1	1.7 : 1
<i>Cash to Income</i>	1.5 : 1	3.2 : 1
<i>Total Liabilities / Total Assets</i>	0.1 : 1	0.2 : 1

\* Refer to Statement of Comparison of Budget and Actual amounts

\*\* Refer to Statement of Comparison of Budget and Actual amounts

## LIQUIDITY POSITION OF MUNICIPALITY

### 3.1 Liquidity

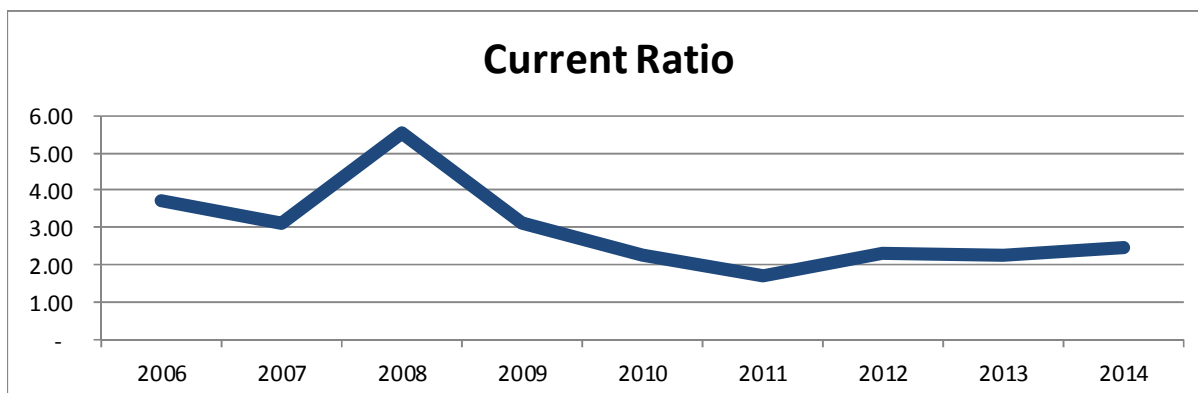
There are two main liquidity ratios that can be used to analyse the liquidity position of the Municipality, namely the Current and Acid Test ratios. There are various other liquidity ratios that can be utilised to assess the Municipality's liquidity position.

The calculation of these ratios is as follows:

RATIO DESCRIPTION	FORMULA	2013/14	2012/13
<b><u>Current ratio</u></b>	Current Assets	371 451 845	296 886 852
	Current Liabilities	150 193 695	130 585 094
		<b>2.5</b>	<b>2.3</b>
<b><u>Acid Test ratio</u></b>	Current Assets – Inventory	335 080 998	284 974 093
	Current Liabilities	150 193 695	130 585 094
		<b>2.2</b>	<b>2.2</b>
<b><u>Turnover of accounts receivable</u></b>	Revenue (credit)	513 867 848	475 617 895
	Accounts receivable	63 910 834	63 428 819
		<b>8.0</b>	<b>7.5</b>
<b><u>Debt to cash</u></b>	Total Liabilities	315 939 345	353 211 304
	Cash balance at end of period	243 836 485	208 299 502
		<b>1.3</b>	<b>1.7</b>

The above ratios show that the Municipality is in a very liquid position, with current assets of double the current liabilities. The ratio for the year under review has improved slightly compared to the 2012/13 financial year. The Municipality generates 8.0 times more revenue than what the outstanding accounts are. The debtors' collection period (for debtors in arrears) has deteriorated from 24 days in 2012/13 to 26 days in the 2013/14 year.

The following graph shows the history and the current year ratio for the municipality:



## 4 OPERATING RESULTS

### 4.1 Summary of Results

Details of the operating results per segmental classification are included in Appendix B and C, while operational results per category, together with an explanation of significant variances of more than 10 per cent from the final budget, are included in the Statement of Comparison of Budget and Actual amounts.

These amounts are based on the total position of the municipality (including non-cash transactions):

DESCRIPTION	Actual 2013/14	Actual 2012/13	Variance	Adjusted Budget 2013/14	Variance
<b>INCOME</b>					
Opening surplus/(deficit)	1813 380 236	1370 862 707	32.3%		
Operating income for the year	830 234 555	680 951 093	21.9%	754 266 381	10.1%
Fair Value Adjustment	865 145	3 279 504	-73.6%	2 682 200	-67.7%
Appropriations for the year	(5 371 857)	(5 476 457)	-1.9%		
	<b>2639 108 079</b>	<b>2049 616 846</b>	<b>28.8%</b>	<b>756 948 581</b>	<b>248.7%</b>
<b>EXPENDITURE</b>					
Operating expenditure for the year	664 629 757	619 456 225	7.3%	725 128 895	-8.3%
Sundry transfers	(1 480 805)	(383 219 615)	-99.6%		
Revaluation of Inv Prop	-	-	#DIV/0!		
Closing surplus/(deficit)	1975 959 127	1813 380 236	9.0%	30 319 686	
	<b>2639 108 079</b>	<b>2049 616 846</b>	<b>28.8%</b>	<b>755 448 581</b>	<b>248.7%</b>

The accumulated surplus at 30 June 2014 amounted to R 1 976.0 million. The accumulated surplus of R 1 617.3 million at 30 June 2013 was restated with previous year corrections of R 196.1 million, amounting to R 1 813.4 million. From the 2012/13 financial year the accumulated surplus increased with R 162.6 million or 9.0% to the 2013/14 financial year.

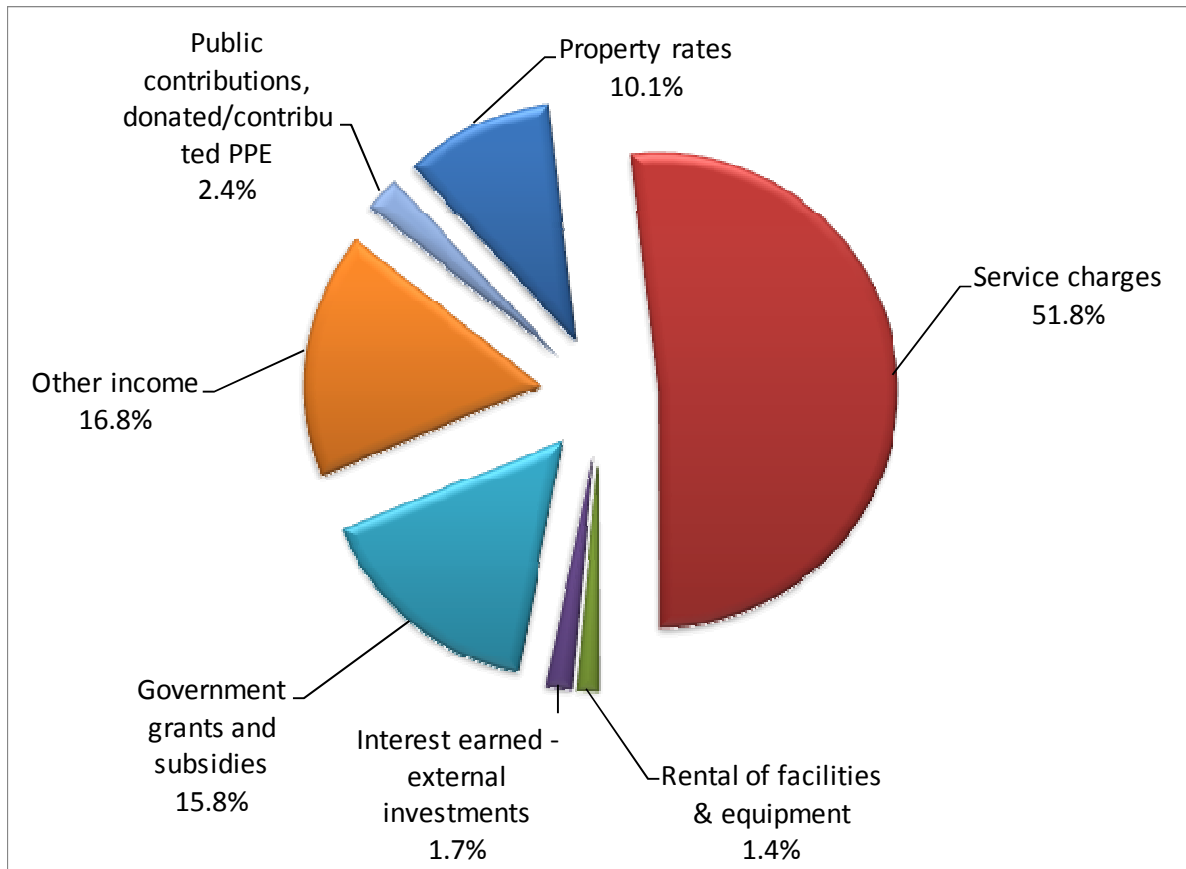
The operating income increased by 21.9% to R 830.2 million from the previous financial year's income of R 681.0 million. The main contributor to this is the increase in Service charges in accordance with the approved tariff increase for the year. The operating expenditure increased by 7.3% to R 664.6 million.

The Municipality's financial statements ended on a surplus of R 166.5 million. It must, however, be taken into account that various non-cash transactions is included in this surplus. If these non-cash transactions are taken into account, the cash surplus comes to R 12.9 million.

#### 4.2 Operating Revenue and Expenditure

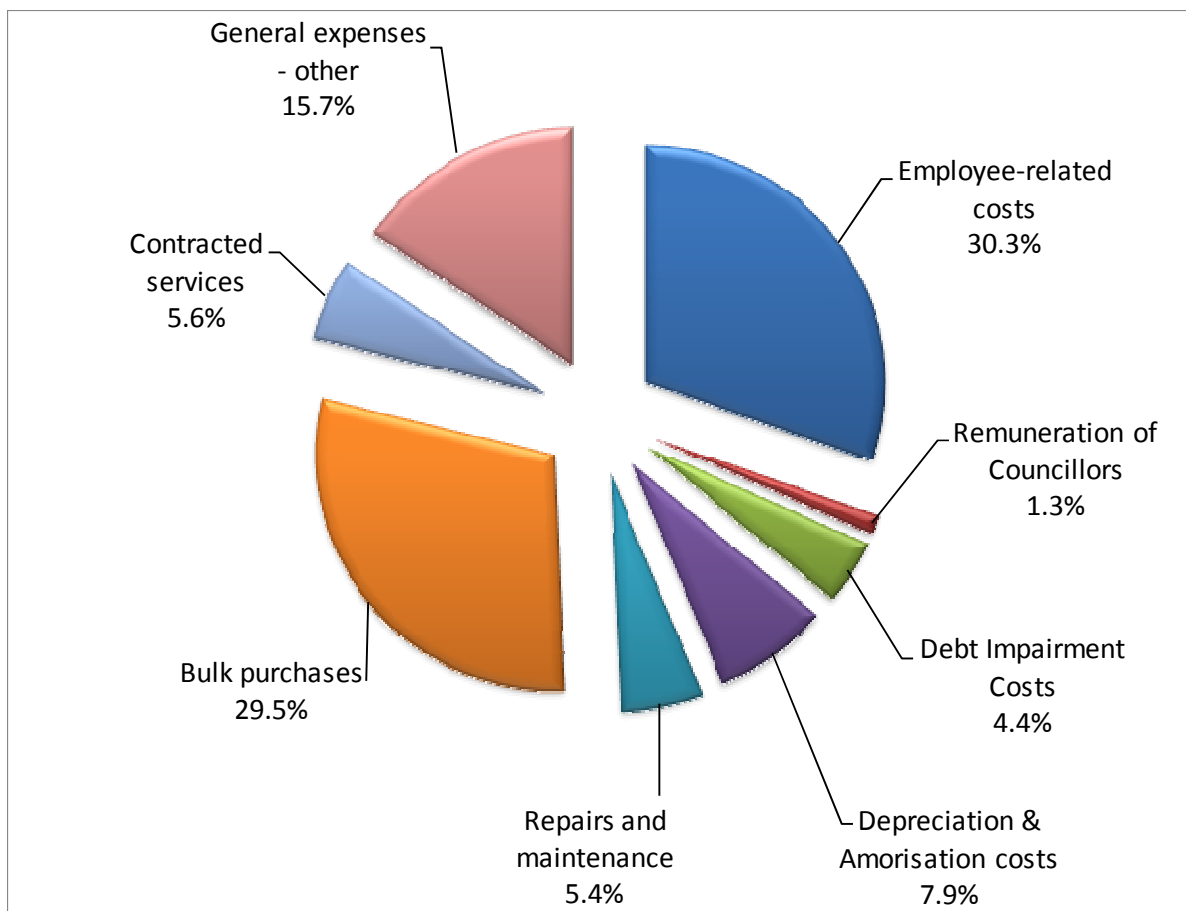
The following table and graph indicates the Municipality's major revenue sources for the year under review:

Operating Revenue	2014	2013
Property rates	10%	12%
Service charges	52%	58%
Rental of facilities & equipment	1%	2%
Interest earned - external investments	2%	2%
Government grants and subsidies	16%	16%
Other income	17%	8%
Public contributions, donated/contributed PPE	2%	2%



The following table and graph indicates the Municipality's major types of expenditure for the year under review:

<b>Operating Expenditure</b>	<b>2014</b>	<b>2013</b>
Employee-related costs	30%	31%
Remuneration of Councillors	1%	1%
Debt Impairment Costs	4%	2%
Depreciation & Amorisation costs	8%	8%
Repairs and maintenance	5%	6%
Bulk purchases	29%	31%
Contracted services	6%	5%
General expenses - other	16%	15%



### 4.3 Rates and General Services

DESCRIPTION	Actual 2013/14	Actual 2012/13	Variance	Adjusted Budget 2013/14	Variance
<b>Income</b>	421 977 154	306 990 276	37.5%	341 498 449	23.6%
<b>Expenditure</b>	356 315 271	320 480 781	11.2%	405 688 535	-12%
<b>Surplus/(deficit)</b>	<b>65 661 883</b>	<b>(13 490 505)</b>	<b>-586.7%</b>	<b>(64 190 086)</b>	<b>-202.3%</b>
<b>Surplus/(deficit) as % of total income</b>	15.6%	-4.4%		-18.8%	

#### Variance from 2012/13 Actual:

The surplus with regards to Rates and other General services amount to R 65.7 million for the 2013/14 financial year and the 2012/13 financial year's deficit was -R 13.5 million. The 2013/14 surplus is mainly due to an actuarial gain of R 74.5 on employee benefits, which is a non-cash transaction.

#### Variance from 2013/14 Budget:

The total actual income is 23.6% more than the budgeted amount of R 341.5 million for the 2013/14 financial year. The expenditure is -12% less than the budgeted amount of R 405.7 million.

### 4.4 Trading Services

The Municipality purchases electricity in bulk from Eskom and then redistributes it to the consumers. The electricity tariffs are considered together with all other tariffs during the compilation of the operational budget. Any increase in the electricity tariffs must be approved by the National Electricity Regulator before the Municipality can implement it. Eskom normally adjusts its tariffs in January of every year but the Municipality endeavours to limit its increase to only one increase during July every year. The Municipality has some of its own water sources and also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

#### 4.4.1 Electricity

DESCRIPTION	Actual 2013/14	Actual 2012/13	Variance	Adjusted Budget 2013/14	Variance
<b>Income</b>	310 298 423	284 351 030	9.1%	300 237 633	3.4%
<b>Expenditure</b>	237 224 892	216 620 909	9.5%	241 409 627	-1.7%
<b>Surplus/(deficit)</b>	<b>73 073 531</b>	<b>67 730 121</b>	<b>7.9%</b>	<b>58 828 006</b>	<b>24.2%</b>
<b>Surplus/(deficit) as % of total income</b>	23.5%	23.8%		19.6%	

Variance from 2012/13 Actual:

The Electricity service showed a surplus for both the 2012/13 and the 2013/14 financial years, with an increase of 7.9% between the two years. The surplus of R 73.1 million for the 2013/14 financial year represents a profit of 23.5%. A profit of 23.8% was realised in the 2012/13 financial year.

Variance from 2013/14 Budget:

The total actual income is 3.4% more than the budgeted amount of R 300.2 million for the 2013/14 financial year. The expenditure is -1.7% less than the budgeted amount of R 241.4 million.

The following table provides information on electricity distribution:

<b>ELECTRICITY DISTRIBUTION</b>	<b>2012/13 Financial year</b>	<b>2013/14 Financial year</b>
<b>Units purchased (kWh)</b>	280 522 409	284 653 360
<b>Purchase price per kWh</b>	55 cents	66 cents
<b>Units sold (kWh)</b>	263 909 561	254 558 799
<b>Free units</b>	8 143 456	8 362 243
<b>Units lost during distribution (kWh)</b>	23 177 734	21 732 318
<b>Percentage lost during distribution</b>	8.26%	7.63%
<b>Total cost per unit</b>	58.28 cents	71.49 cents
<b>Net sales per unit</b>	84 cents	R 1.00

4.4.2 Water

<b>DESCRIPTION</b>	<b>Actual 2013/14</b>	<b>Actual 2012/13</b>	<b>Variance</b>	<b>Adjusted Budget 2013/14</b>	<b>Variance</b>
<b>Income</b>	98 824 123	92 889 290	6.4%	115 212 499	-14.2%
<b>Expenditure</b>	71 089 594	82 354 535	-13.7%	79 530 733	-10.6%
<b>Surplus/(deficit)</b>	<b>27 734 529</b>	<b>10 534 755</b>	<b>163.3%</b>	<b>35 681 766</b>	<b>-22.3%</b>
<b>Surplus/(deficit) as % of total income</b>	28.1%	11.3%		31.0%	

Variance from 2012/13 Actual:

The Water service showed a surplus for both the 2012/13 and 2013/14 financial years. The surplus increased by 163.3% from the previous year. The surplus of R 27.7 million for the 2013/14 financial year represents a profit of 28.1%, whereas a profit of 11.3% was realised in the 2012/13 financial year.

Variance from 2013/14 Budget:

The total actual income is -14.2% less than the budgeted amount of R 115.2 million for the 2013/14 financial year, while the expenditure is -10.6% less than the budgeted amount of R 79.5 million.

The following provides information on water distribution:

<b>WATER DISTRIBUTION</b>	<b>2012/13 Financial year</b>	<b>2013/14 Financial year</b>
<i>Mega litres purified</i>	7 306	7 253
<i>Mega litres sold</i>	6 187	6 268
<i>Mega litres lost during distribution</i>	1 293	888
<i>Percentage lost during distribution</i>	17.69%	12.24%

**5 CAPITAL EXPENDITURE AND FINANCING**

The capital expenditure during the year as stated in the financial statements amounted to R 114 281 653 and was financed as follows:

<b>SERVICE AREA</b>	<b>2013/14 Actuals</b>	<b>% of Total Capital Expenditure</b>
<i>Community services/facilities</i>	14 749 175	12.9%
<i>Electricity</i>	21 632 633	18.9%
<i>Housing</i>	9 568 096	8.4%
<i>Refuse</i>	199 788	0.2%
<i>Sanitation</i>	14 585 450	12.8%
<i>Streets and Storm water</i>	30 057 356	26.3%
<i>Water</i>	10 170 446	8.9%
<i>Other</i>	13 318 709	11.7%
<b>TOTAL</b>	<b>114 281 653</b>	<b>100.0%</b>

The capital expenditure was financed as follows:

<b>SOURCE OF FINANCE</b>	<b>2013/14 Actuals</b>	<b>% of Total Capital Funding</b>
<i>Capital Replacement Reserve</i>	67 326 189	58.9%
<i>Grants and Subsidies</i>	33 832 795	29.6%
<i>Public contributions</i>	3 966 711	3.5%
<i>Other</i>	9 155 958	8.0%
<b>TOTAL</b>	<b>114 281 653</b>	<b>100.0%</b>

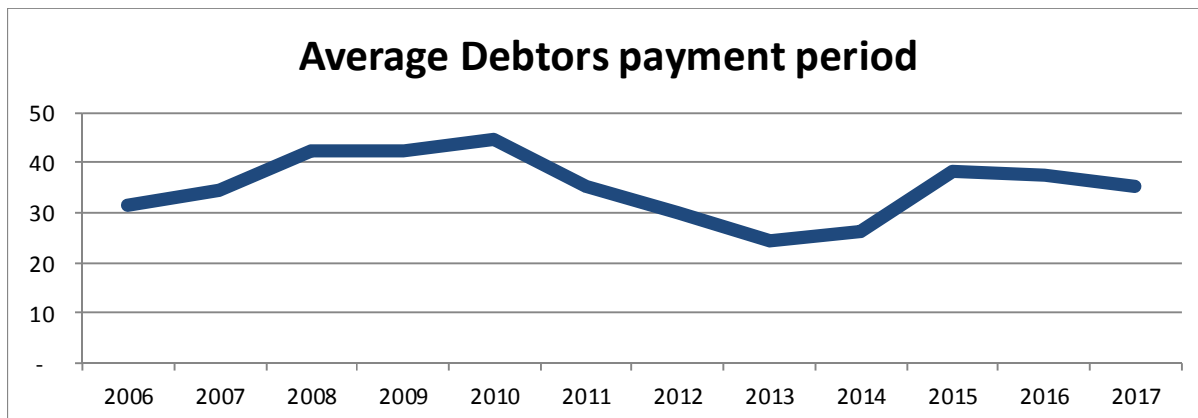
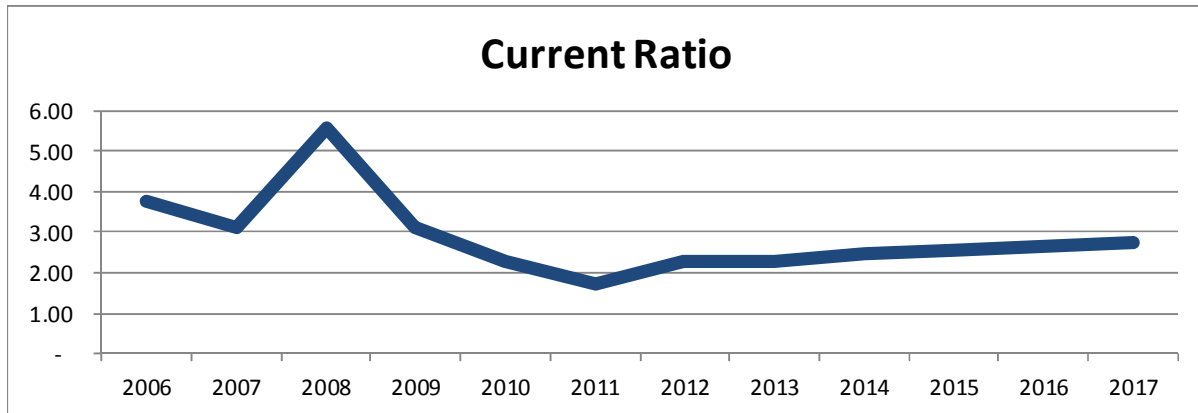
Property, Plant and Equipment is funded to a great extent from the Capital Replacement Reserve.



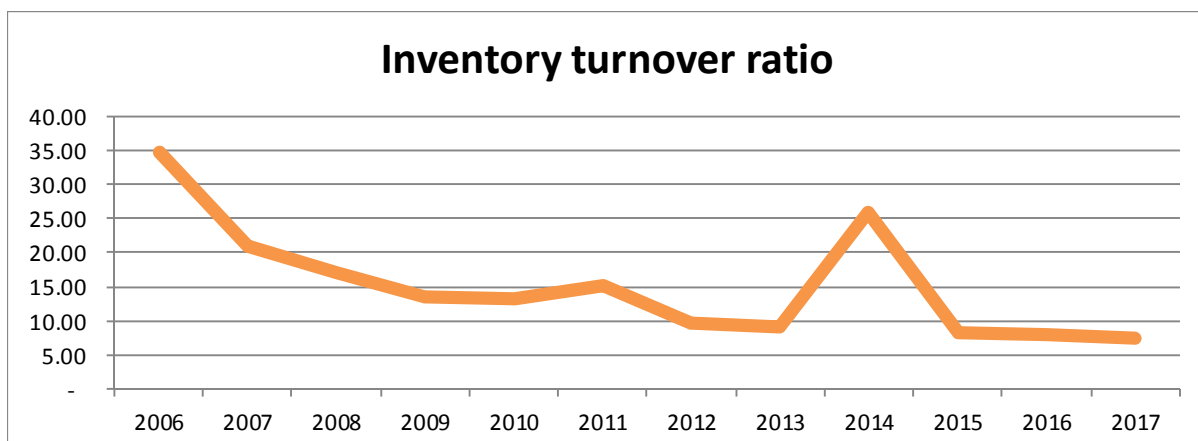
## 6 FINANCIAL SUSTAINABILITY

Financial sustainability refers to financial accounts which reflect sufficient revenue and adequate corporate stability in order to fund and deliver on service delivery and performance targets. Following are a few graphs on various financial ratios that show the past 7 years information, the current year information and the 3 budget years' information:

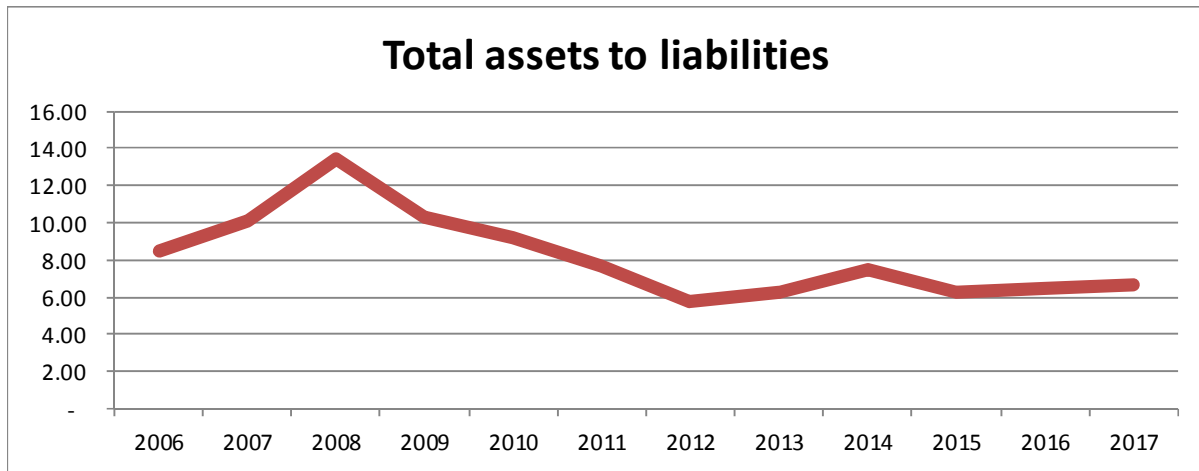
### LIQUIDITY MEASUREMENT RATIOS



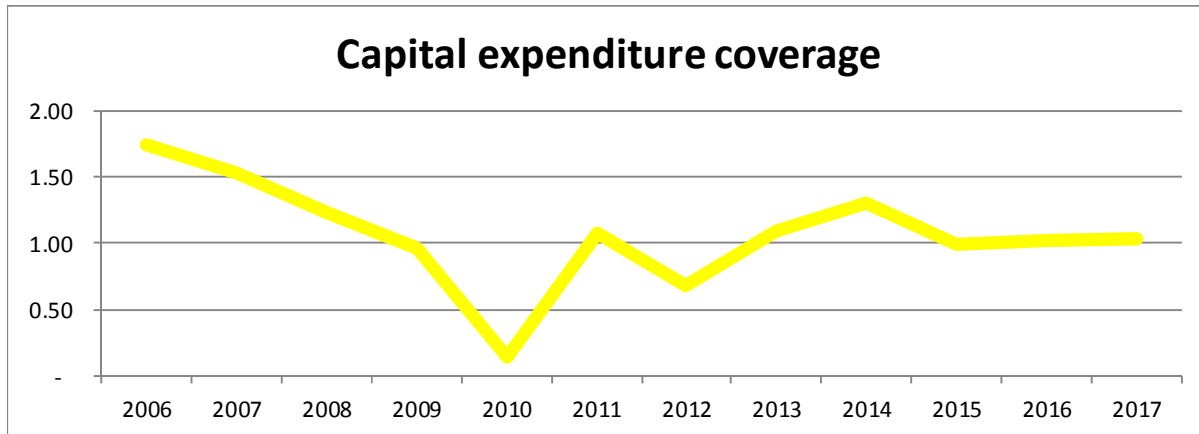
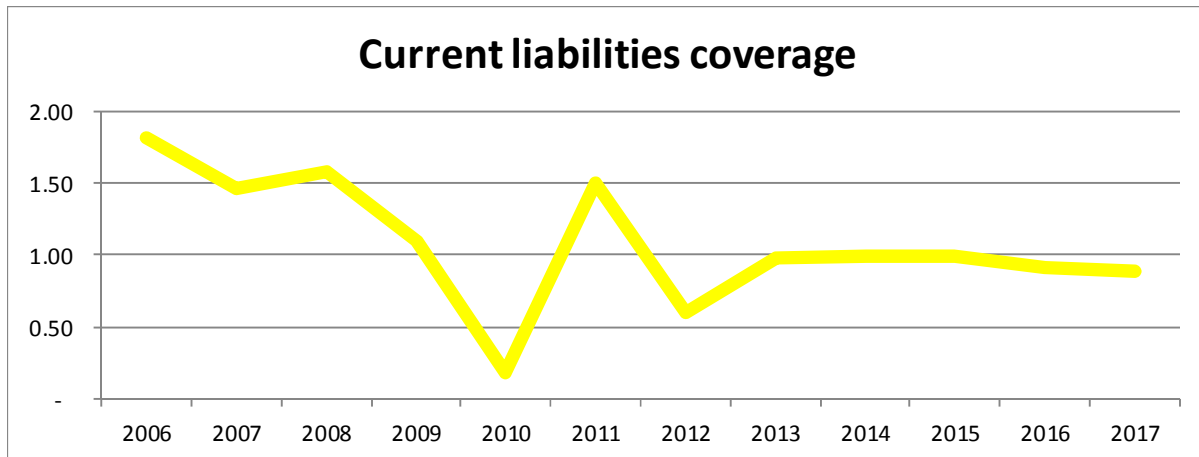
### ACTIVITY RATIOS



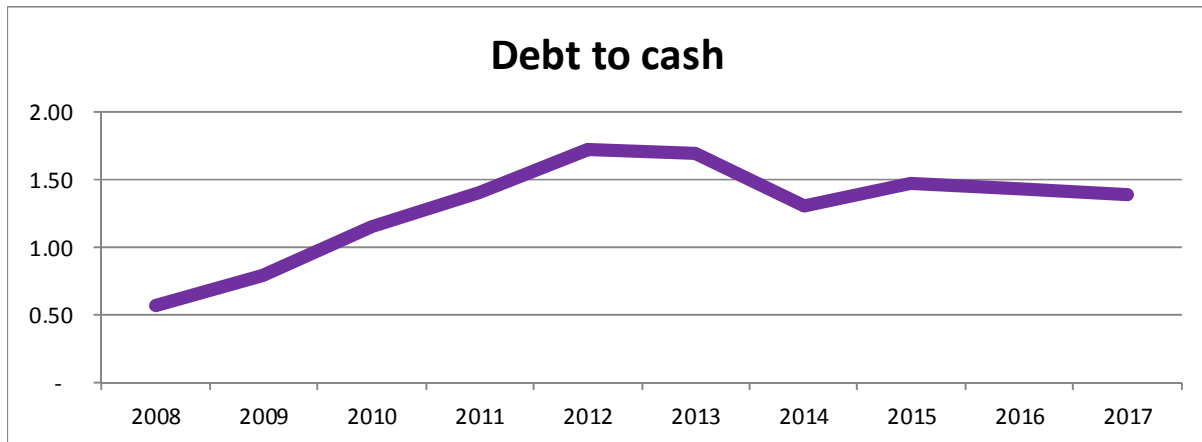
**SOLVENCY RATIOS**



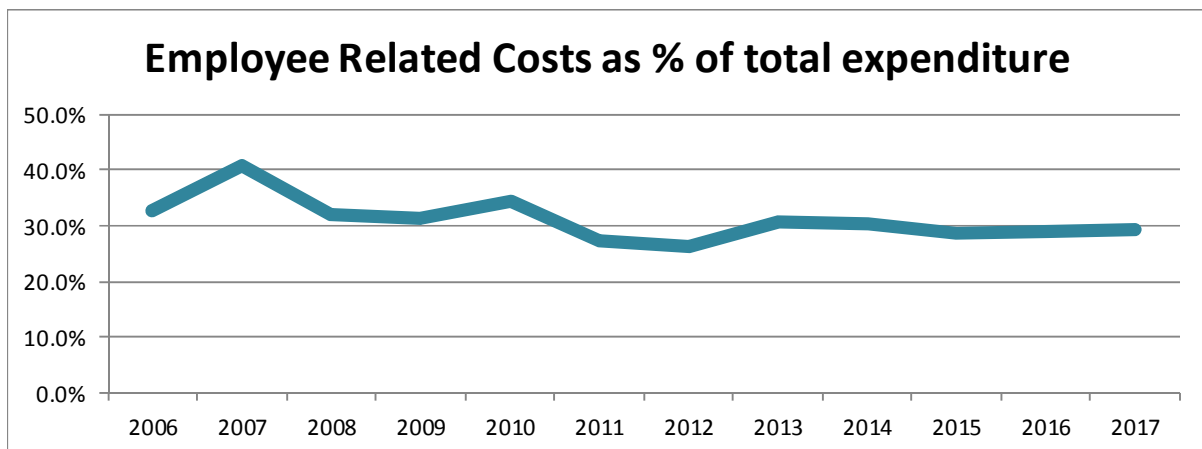
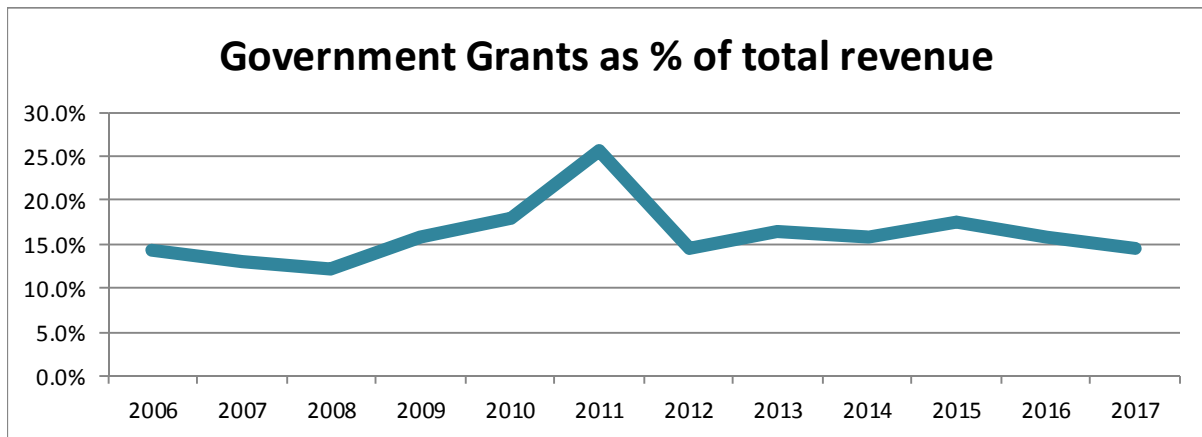
**CASH FLOW INDICATOR RATIOS**

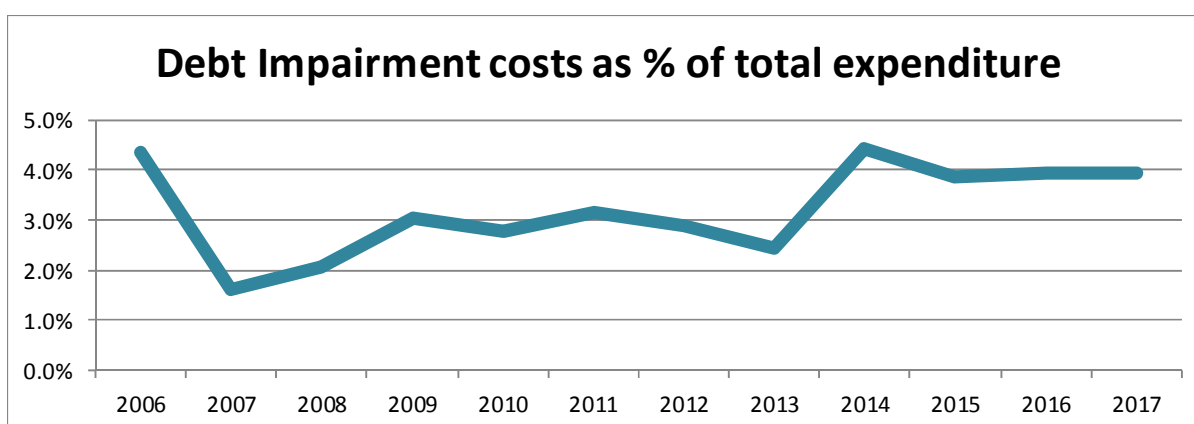
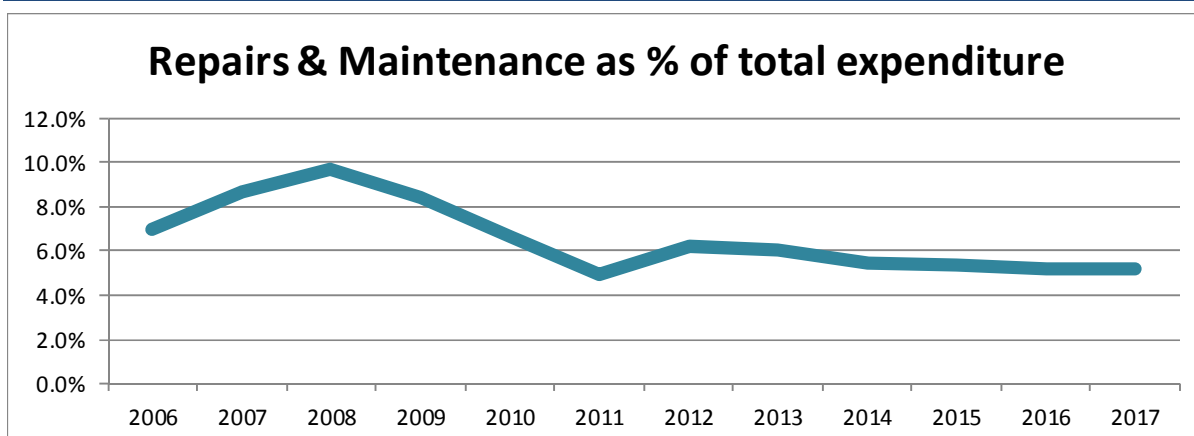


**DEBT RATIOS**



**INCOME & EXPENDITURE TRENDS**





## 7 CAPITAL REPLACEMENT RESERVE

The Capital Replacement Reserve balance at 30 June 2014 amounted to R 65 233 610 (R 59 783 414 as at 30 June 2013).

The Capital Replacement Reserve replaces the previous statutory funds, such as the Consolidated Capital Development and Loans Fund. It is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

## 8 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2014 the outstanding external loans amounted to R 26 000 000 (R 28 000 000 in 2013). The municipality has repaid R 2 000 000 towards the loan of R 30 million taken up during the 2011/12 financial year.

The Municipality's cashbook showed a positive balance of R 13 163 073 (R 3 280 542 in 2013) and Petty Cash to the amount of R 18 960 (R 18 960 in 2013) on 30 June 2014. The external investments amounted to R 230 654 452 against the R 205 000 000 of the previous year.

More particulars regarding external loans and investments appear in Notes 5 and 25 of the Annual Financial Statements, as well as Appendix A.

## **9 NON-CURRENT PROVISIONS**

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R 47 734 754 as at 30 June 2014 (R 46 499 034 as at 30 June 2013) and are made up as follows:

Rehabilitation of Landfill Sites	R 34 684 976
Clearing of Alien Vegetation	<u>R 13 049 778</u>
	<u>R 47 734 754</u>

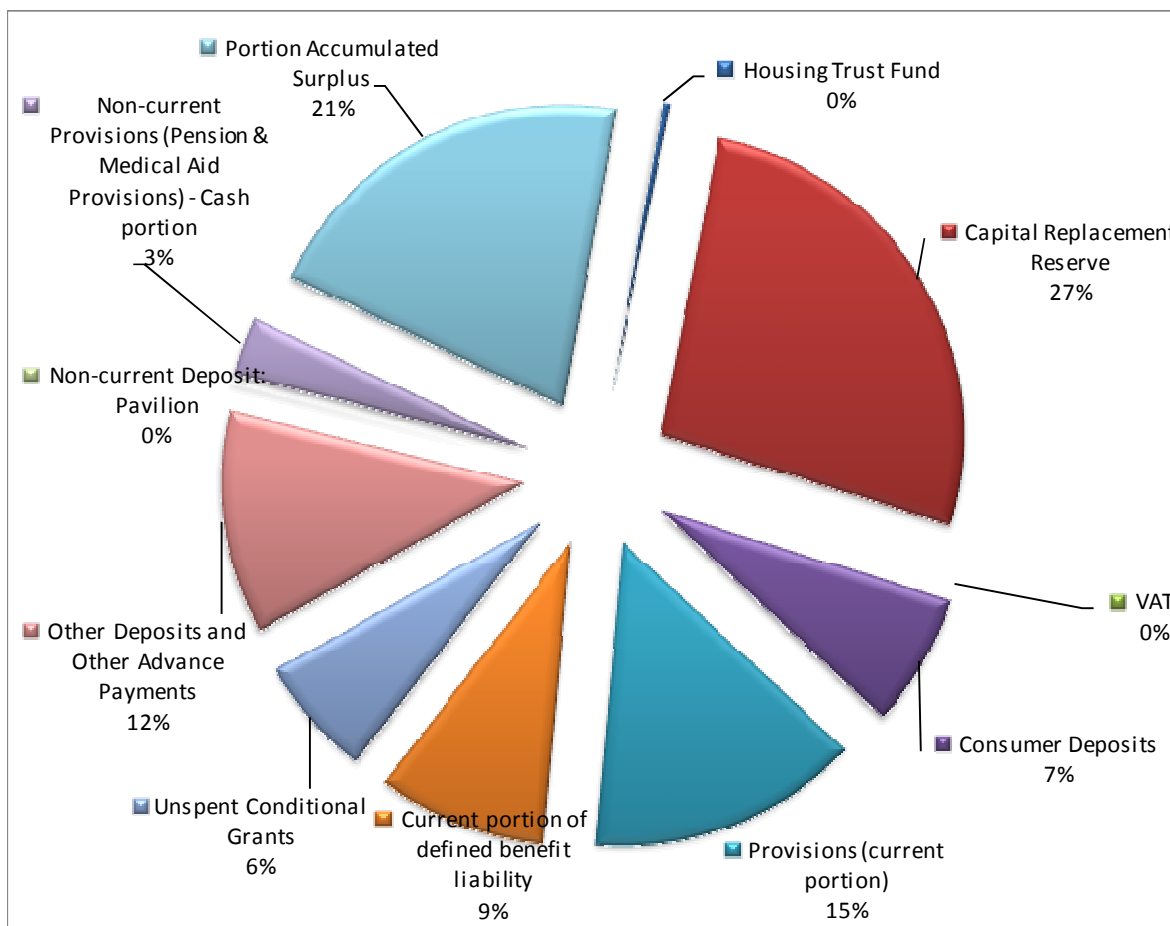
Refer to Note 6 of the Annual Financial Statements for more detail.

## 10 FUNDING OPTIONS OF INVESTMENT PORTFOLIO

The table below shows the allocation of the investment portfolio towards the funding of various obligations:

<b>Allocation of Cash</b>		
Call Deposits		230 654 452
Bank Balances and Cash		13 182 033
		<u>243 836 485</u>
Less: Bank Overdraft		-
		<u>243 836 485</u>
Allocated to:		
Housing Trust Fund	722 426	
Capital Replacement Reserve	65 233 610	
VAT	-	
Consumer Deposits	17 379 449	
Provisions:	35 284 976	
Rehabilitation of Landfill sites	34 684 976	
Clearing of Alien Vegetation	600 000	
Current portion of defined benefit liability	22 057 451	
Post Retirement benefits	3 855 000	
Staff Leave accrual	11 432 078	
Performance Bonuses accrual	652 930	
Employee Bonuses accrual	4 240 620	
Employee Overtime / Standby allowances accrual	798 823	
Long service awards	1 078 000	
Unspent Conditional Grants	15 643 163	
Other Deposits and Other Advance Payments:	29 179 483	
Retentions	8 460 108	
Payments Received in Advance	13 327 586	
Other Deposits	7 391 788	
Non-current Deposit: Pavilion	242 751	
Non-current Provisions - Cash portion	7 575 000	
Post Retirement benefits	6 471 000	
Long service awards	1 104 000	
Portion Accumulated Surplus	<u>50 518 176</u>	<u>243 836 485</u>
		-

The graph below shows the percentage allocation of the investment portfolio towards the funding of various obligations:



## 11 EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The non-current portion of the employee benefits liability amounted to R 92 042 000 as at 30 June 2014 (R 147 899 603 as at 30 June 2013) and is made up as follows:

Post-Employment Health Care Benefits	R 78 200 000
Ex-Gratia Gratuities	R 1 644 000
Long Service Awards	<u>R 12 198 000</u>
	<u>R 92 042 000</u>

Refer to Note 7 of the Annual Financial Statements for more detail.

## **12 CURRENT LIABILITIES**

Current Liabilities are those liabilities of the Municipality due and payable in the short term (less than 12 months). There is no known reason as to why the Municipality would not be able to meet its obligations. Current Liabilities amounted to R 150 193 695 as at 30 June 2014 (R 130 585 094 as at 30 June 2013) and are made up as follows:

Consumer deposits	Note 9	R 17 379 449
Provisions	Note 10	R 1 534 846
Current portion of Employee benefits	Note 11	R 22 057 451
Payables from Exchange transactions	Note 12	R 89 650 206
Unspent conditional grants and receipts	Note 13	R 15 643 163
Operating Lease Liability	Note 27	R 839 627
Current portion of Finance Lease Liabilities	Note 4	R 996 452
Current portion of Long-term Liabilities	Note 5	<u>R 2 092 500</u>
		<u><b>R 150 193 695</b></u>

## **13 CURRENT ASSETS**

Current Assets amounted to R 371 451 845 as at 30 June 2014 (R 296 886 852 as at 30 June 2013) and is made up as follows:

Inventory	Note 22	R 36 370 847
Trade receivables from Exchange	Note 23	R 34 731 927
Other receivables from Non-Exchange	Note 24	R 31 274 214
Current portion of long-term receivables	Note 20	R 422 191
Assets classified as held for sale	Note 21	R 15 066 857
Unpaid conditional grants and receipts	Note 13	R 4 769 729
VAT receivable	Note 14	R 4 806 948
Cash and Cash Equivalents	Note 26	R 243 836 485
Operating Lease Assets	Note 27	<u>R 172 649</u>
		<u><b>R 371 451 845</b></u>



**14 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2013</i>	<i>As at 30 June 2014</i>	<i>Variance</i>
<b>Service debtors:</b>	<b>30 578 447</b>	<b>32 389 201</b>	<b>5.9%</b>
- Electricity	14 659 058	13 931 509	-5.0%
- Water	8 067 803	8 881 319	10.1%
- Refuse	3 172 258	3 589 699	13.2%
- Sewerage	4 679 328	5 986 674	27.9%
<b>Debtback collections</b>	<b>5 469</b>	<b>7 133</b>	<b>30.4%</b>
<b>Land Sales</b>	<b>1 426</b>	<b>1 389</b>	<b>-2.6%</b>
<b>Housing instalments</b>	<b>533 197</b>	<b>884 916</b>	<b>66.0%</b>
<b>Housing rentals</b>	<b>163 495</b>	<b>211 880</b>	<b>29.6%</b>
<b>Other</b>	<b>1 721 242</b>	<b>1 237 408</b>	<b>-28.1%</b>
<b>TOTAL</b>	<b>33 003 277</b>	<b>34 731 927</b>	<b>5.2%</b>

The net balance of Other receivables from Non-Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2013</i>	<i>As at 30 June 2014</i>	<i>Variance</i>
<b>Rates</b>	<b>6 207 862</b>	<b>6 219 986</b>	<b>0.20%</b>
<b>Traffic Fines</b>	<b>0</b>	<b>1 001 873</b>	<b>#DIV/0!</b>
<b>Accrued Income</b>	<b>20 884 844</b>	<b>20 337 439</b>	<b>-2.62%</b>
<b>Payments made in advance</b>	<b>8 684</b>	<b>2 037 168</b>	<b>23358.30%</b>
<b>Other</b>	<b>7 386 387</b>	<b>1 677 747</b>	<b>-77.29%</b>
<b>TOTAL</b>	<b>34 487 776</b>	<b>31 274 214</b>	<b>-9.32%</b>

The Municipality has during the financial year written off bad debts to the amount of R 13 159 519.

**EXPRESSION OF APPRECIATION**

I am grateful to the Executive Mayor, Executive Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. I would also like to extend a special word of thanks to all staff who assisted with the collation of year-end information, and specific the staff of the Budget and Treasury Office. Without their valuable contributions and assistance these Annual Financial Statements would not have been possible.



**HF BOTHA**  
**CHIEF FINANCIAL OFFICER**

Date: 29 August 2014

## **REPORT OF THE AUDITOR-GENERAL**

The Audit Report of Mossel Bay Municipality will be added on completion of the audit process.

# STATEMENT OF FINANCIAL POSITION

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	2014 R	2013 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>2041 915 163</b>	<b>1875 445 220</b>
Housing development fund	2	722 426	800 765
Reserves	3	65 233 610	59 783 414
Capital replacement reserve		65 233 610	59 783 414
Accumulated surplus		1975 959 127	1814 861 041
<b>Non-current liabilities</b>		<b>165 745 650</b>	<b>222 626 210</b>
Employee benefits	7	92 042 000	147 899 603
Non-current provisions	6	47 734 754	46 499 034
Finance Lease liability	4	1 253 609	1 428 194
Other Long-term liabilities	5	24 472 536	26 564 176
Non-current deposits	8	242 751	235 202
<b>Current liabilities</b>		<b>150 193 695</b>	<b>130 585 094</b>
Consumer deposits	9	17 379 449	14 464 499
Provisions	10	1 534 846	1 909 274
Current Employee benefits	11	22 057 451	21 918 536
Payables from Exchange transactions	12	89 650 206	81 229 002
Unspent conditional grants and receipts	13	15 643 163	7 625 972
Operating Lease Liability	27	839 627	530 704
Current portion of Finance lease liability	4	996 452	897 857
Current portion of other long-term liabilities	5	2 092 500	2 009 250
<b>Total Net Assets and Liabilities</b>		<b>2357 854 508</b>	<b>2228 656 524</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1986 402 663</b>	<b>1931 769 671</b>
Property, plant and equipment	15	1633 605 498	1581 407 650
Biological Assets	16	1 961 495	1 832 981
Intangible Assets	17	82 336	41 886
Investment Property	18	345 665 447	343 684 458
Heritage assets	19	4 225 599	4 225 599
Long-term receivables	20	862 288	577 097
<b>Current assets</b>		<b>371 451 845</b>	<b>296 886 852</b>
Inventory	22	36 370 847	11 912 759
Receivables from Exchange transactions	23	34 731 927	33 003 277
Other receivables from non-exchange transactions	24	31 274 214	34 487 776
Current portion of long-term receivables	20	422 191	460 362
Assets classified as held for sale	21	15 066 857	6 259 640
Unpaid conditional grants and receipts	13	4 769 729	-
VAT Receivable	14	4 806 948	2 342 519
Cash and Cash equivalents	26	243 836 485	208 299 502
Operating Lease Assets	27	172 649	121 018
<b>Total Assets</b>		<b>2357 854 508</b>	<b>2228 656 524</b>

# STATEMENT OF FINANCIAL PERFORMANCE

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Budget			Actual	
2013 R	2014 R	Note	2014 R	2013 R
REVENUE				
221 410 689	257 579 830		324 942 678	216 155 071
77 721 154	83 293 424		82 522 290	77 561 543
77 721 154	83 293 424	Property rates28	82 522 290	77 561 543
139 221 525	156 971 406		151 503 329	126 006 915
53 064 827	142 092 027	Government grants and subsidies30	131 554 233	112 183 037
86 156 698	14 879 379	Public contributions, donated and contributed PPE32	19 949 097	13 823 878
4 468 010	17 315 000		90 917 058	12 586 612
4 468 010	17 315 000	Other non-exchange revenue	16 440 921	7 326 023
-	-	Fines	74 476 137	5 260 589
		Actuarial gains		
511 203 946	496 686 551		505 291 878	464 796 022
1 500 000	1 650 000	Property rates-penalties imposed & collection charges	1 423 868	1 749 638
434 344 841	413 181 877	Service charges29	429 921 691	396 306 714
11 074 386	11 686 256	Rental of facilities and equipment	11 485 535	11 703 324
12 000 000	13 330 000	Interest earned - external investments	13 968 480	12 788 897
-	-	Interest earned - unamortised discount	-	-
261 400	242 000	Interest earned - outstanding debtors	204 014	252 769
4 561 000	4 842 500	Licences and permits	5 204 831	4 698 881
22 500	1 036 000	Gain on de-recognition of Property, Plant & Equipment	91 425	117 357
47 439 819	50 717 918	Other income31	42 992 033	37 178 442
732 614 635	754 266 381	Total Revenue	830 234 555	680 951 093
EXPENDITURE				
192 111 656	208 539 870	Employee related costs33	201 346 005	189 272 927
8 428 321	8 731 246	Remuneration of Councillors34	8 681 774	8 073 770
14 000 000	27 763 252	Debt Impairment Costs35	29 282 296	15 091 483
5 912 622	5 437 000	Collection costs	5 159 878	6 179 011
56 790 574	52 134 503	Depreciation36	52 262 071	50 079 058
97 835	19 288	Amortisation - Intangible Assets36	19 429	19 743
2 500 000	1 500 000	Actuarial losses	2 810 566	1 480 973
41 790 510	39 369 844	Repairs and maintenance	36 184 121	37 466 124
2 953 092	3 101 468	Finance costs37	2 678 808	2 953 969
190 495 435	206 601 685	Bulk purchases38	195 784 341	190 901 079
34 129 514	37 577 624	Contracted services39	36 949 315	32 736 835
5 565 392	1 159 250	Grants and subsidies paid40	1 004 781	939 384
133 433 187	132 790 865	General expenses41	91 628 651	82 999 660
355 500	403 000	Loss on de-recognition of Property, Plant & Equipment	837 722	1 262 207
688 563 638	725 128 895	Total Expenditure	664 629 757	619 456 225
(1 500 000)	1 182 200	Impairment / Fair Value adjustment of Investment Property and Biological assets42	865 145	3 279 504
42 550 997	30 319 686	SURPLUS/(DEFICIT) FOR THE YEAR	166 469 943	64 774 371

# STATEMENT OF CHANGES IN NET ASSETS

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R
<b>2013</b>				
Balance at 1 July 2012	2 237 678	52 870 044	1370 862 707	1425 970 428
Prior Year Adjustments (Note 42)			383 219 615	383 219 615
Change in accounting policy (Note 43)			-	-
Change in accounting estimate (Note 44)			-	-
<b>Restated Balance at 1 July 2012</b>	<b>2 237 678</b>	<b>52 870 044</b>	<b>1754 082 321</b>	<b>1809 190 043</b>
Surplus/(deficit) for the year			64 774 371	64 774 371
Transfer to CRR		72 115 812	(72 115 812)	-
Contribution from CRR - purchase PPE		(65 202 443)	65 202 443	-
Transfer to Housing Development Fund	90 708		( 90 708)	-
Transfer from Housing Development Fund	(1 527 621)		1 527 621	-
<b>Balance at 30 June 2013</b>	<b>800 765</b>	<b>59 783 414</b>	<b>1813 380 236</b>	<b>1873 964 414</b>
<b>2014</b>				
Prior Year Adjustments (Note 42)			1 480 805	1 480 805
Change in accounting policy (Note 43)			-	-
Change in accounting estimate (Note 44)			-	-
<b>Restated balance at beginning of the year</b>	<b>800 765</b>	<b>59 783 414</b>	<b>1814 861 041</b>	<b>1875 445 220</b>
Surplus/(deficit) for the year			166 469 943	166 469 943
Transfer to CRR		72 776 385	(72 776 385)	-
Contribution from CRR - purchase PPE		(67 326 189)	67 326 189	-
Transfer to Housing Development Fund	26 720		( 26 720)	-
Transfer from Housing Development Fund	( 105 060)		105 060	-
<b>Balance at 30 June 2014</b>	<b>722 426</b>	<b>65 233 610</b>	<b>1975 959 127</b>	<b>2041 915 163</b>

# CASH FLOW STATEMENT

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 R	2013 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<u>Receipts:</u>		743 563 659	657 186 217
Ratepayers		511 903 455	480 595 872
Government - Operating		95 242 313	59 415 460
Government - Capital		44 539 312	43 910 516
Other		91 878 579	73 264 369
<u>Payments:</u>		606 704 817	539 639 817
Suppliers		306 844 462	270 689 757
Employees		174 352 756	161 988 007
Other		125 507 599	106 962 053
Cash generated from/(utilised in) operations	48	136 858 843	117 546 400
Interest received		14 172 494	13 041 666
Interest paid		(2 678 808)	(2 953 969)
<b>Net cash from operating activities</b>		<b>148 352 529</b>	<b>127 634 097</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Capital Assets		(114 281 653)	(117 463 680)
Proceeds on de-recognition of Capital Assets		371 290	652 734
(Increase)/decrease in long-term receivables	20	264 248	453 218
<b>Net cash from investing activities</b>		<b>(113 646 115)</b>	<b>(116 357 728)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in consumer deposits	9	2 914 950	1 579 216
Proceeds/(repayment) of finance lease liability	4	( 75 989)	( 19 881)
Proceeds/(repayment) of other long-term liabilities	5	(2 008 391)	(2 010 251)
<b>Net cash from financing activities</b>		<b>830 570</b>	<b>( 450 916)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>35 536 983</b>	<b>10 825 453</b>
Cash and cash equivalents at the beginning of the year		208 299 502	197 474 049
Cash and cash equivalents at the end of the year	26	243 836 485	208 299 502

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS				
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014				
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET				
	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>NET ASSETS AND LIABILITIES</b>				
<b>Net assets</b>	<b>2041 915 163</b>	<b>1742 293 751</b>	<b>299 621 412</b>	
Housing development fund	722 426	400 000	322 426	Less expenditure on repairs funded from Housing Development funds for the 13/14 year. Refer to note 2 of Financial Statements.
Reserves	65 233 610	64 193 539	1 040 071	
Capital replacement reserve	65 233 610	64 193 539	1 040 071	Bigger contribution to CRR due to improved positive cash flow.
Accumulated surplus	1975 959 127	1677 700 212	298 258 915	Various prior year corrections was made which could not be budgeted for. Refer to Note 43 for detail of corrections.
<b>Non-current liabilities</b>	<b>165 745 650</b>	<b>228 100 000</b>	<b>(62 354 350)</b>	
Employee benefits	92 042 000	150 000 000	(57 958 000)	An actuarial gain was recognised for the year mainly due to the increase in expected retirement age.
Non-current provisions	47 734 754	51 000 000	(3 265 246)	Unforeseen corrections on the cost for the provision for rehabilitation of landfill sites
Finance Lease liability	1 253 609	1 100 000	153 609	Mostly as a result of partduim payments in terms of initial payments not picked-up in contracts.
Other Long-term liabilities	24 472 536	25 750 000	(1 277 464)	
Non-current deposits	242 751	250 000	( 7 249)	
<b>Current liabilities</b>	<b>150 193 695</b>	<b>125 200 000</b>	<b>24 993 695</b>	
Consumer deposits	17 379 449	15 000 000	2 379 449	Increase in consumer deposits mainly due to revision of deposits and normal deposit increases.
Provisions	1 534 846	1 500 000	34 846	
Current Employee benefits	22 057 451	23 650 000	(1 592 549)	Budgeted for a bigger contribution to Leave provision and Post Employment healthcare liability in line with previous year actuarial report and provision calculations.
Payables from Exchange transactions	89 650 206	80 000 000	9 650 206	The actual creditor for Bulk purchases is higher than estimated.
Unspent conditional grants and receipts	15 643 163	-	15 643 163	Budgeted for no grants to be unspent at year-end. A request was put to National and Provincial Treasury for the funds to be rolled-over to the next financial year.
VAT Payable	-	1 500 000	(1 500 000)	Budgeted for VAT to be payable at year end
Cash and cash equivalents	-	-	-	
Operating Lease Liability	839 627	850 000	( 10 373)	
Current portion of Finance lease liability	996 452	700 000	296 452	
Current portion of other long-term liabilities	2 092 500	2 000 000	92 500	
<b>Total Net Assets and Liabilities</b>	<b>2357 854 508</b>	<b>2095 593 751</b>	<b>262 260 758</b>	-

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>1986 402 663</b>	<b>1766 111 454</b>	<b>220 291 209</b>	
Property, plant and equipment	1633 605 498	1440 674 424	192 931 074	Various prior year corrections were processed in order to ensure completeness of PPE. Changes to cost and accumulated depreciation includes developer contributed infrastructure capital assets, Library books, transfer of work-in-progress regarding the Thusong centre and changes to land and buildings due to verification against the deeds office records.
Biological Assets	1 961 495	-	1 961 495	Biological assets was previously not recognised, the land on which Pine grove farm is situated was however in the capital asset register.
Intangible Assets	82 336	106 434	( 24 099)	
Investment Property	345 665 447	320 000 000	25 665 447	Mainly due to reclassifications between Property Plant and Equipment and Investment property of which the Thusong centre is the biggest contributor.
Heritage Assets	4 225 599	4 130 596	95 003	Inclusion of the War memorial at Mossel Bay point at cost.
Long-term receivables	862 288	1 200 000	( 337 712)	Impairment on long-term debtors more than was budgeted for.
<b>Current assets</b>	<b>371 451 845</b>	<b>329 482 296</b>	<b>41 969 549</b>	
Inventory	36 370 847	11 830 000	24 540 847	The increase in inventory is due to the the Asazani/Izinyoka housing top structures transferred to Inventory during the 13/14 financial year in accordance with GRAP 12.
Receivables from Exchange transactions	34 731 927	34 947 887	( 215 960)	
Other receivables from non-exchange transactions	31 274 214	30 500 000	774 214	
Current portion of long-term receivables	422 191	500 000	( 77 809)	
Assets classified as held for sale	15 066 857	15 000 000	66 857	
Unpaid conditional grants and receipts	4 769 729	-	4 769 729	Housing top structure funds unpaid at year-end. Funds were received in July 2014.
VAT Receivable	4 806 948	-	4 806 948	No budget provision was made for VAT payable at year end
Cash and Cash equivalents	243 836 485	236 534 409	7 302 075	Result of the positive cash flow due to an improved performance in operating activities, better than envisged. Mainly due to major savings on employee related cost and bulk purchases.
Operating Lease Assets	172 649	170 000	2 649	
<b>Total Assets</b>	<b>2357 854 508</b>	<b>2095 593 750</b>	<b>262 260 758</b>	-



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

COMPARISON OF APPROVED AND FINAL BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments
<b>NET ASSETS AND LIABILITIES</b>				
<b>Net assets</b>	<b>1742 293 751</b>	-	<b>1742 293 751</b>	
Housing development fund	400 000	-	400 000	No adjustments was made to the Council Approved Statement of Financial position.
Reserves	64 193 539	-	64 193 539	
Capital replacement reserve	64 193 539	-	64 193 539	
Accumulated surplus	1677 700 212	-	1677 700 212	
<b>Non-current liabilities</b>	<b>228 100 000</b>	-	<b>228 100 000</b>	
Employee benefits	150 000 000	-	150 000 000	
Non-current provisions	51 000 000	-	51 000 000	
Finance Lease liability	1 100 000	-	1 100 000	
Other Long-term liabilities	25 750 000	-	25 750 000	
Non-current deposits	250 000	-	250 000	
<b>Current liabilities</b>	<b>125 200 000</b>	-	<b>125 200 000</b>	
Consumer deposits	15 000 000	-	15 000 000	
Provisions	1 500 000	-	1 500 000	
Current Employee benefits	23 650 000	-	23 650 000	
Payables from Exchange transactions	80 000 000	-	80 000 000	
Unspent conditional grants and receipts	-	-	-	
VAT Payable	1 500 000	-	1 500 000	
Cash and cash equivalents	-	-	-	
Operating Lease Liability	850 000	-	850 000	
Current portion of Finance lease liability	700 000	-	700 000	
Current portion of other long-term liabilities	2 000 000	-	2 000 000	
<b>Total Net Assets and Liabilities</b>	<b>2095 593 751</b>	-	<b>2095 593 751</b>	-

**COMPARISON OF APPROVED AND FINAL BUDGET (Continued)**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material variances
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>1766 111 454</b>	<b>-</b>	<b>1766 111 454</b>	
Property, plant and equipment	1440 674 424	-	1440 674 424	No adjustments was made to the Council Approved Statement of Financial position.
Biological Assets	-	-	-	
Intangible Assets	106 434	-	106 434	
Investment Property	320 000 000	-	320 000 000	
Heritage assets	4 130 596	-	4 130 596	
Long-term receivables	1 200 000	-	1 200 000	
<b>Current assets</b>	<b>329 482 296</b>	<b>-</b>	<b>329 482 296</b>	
Inventory	11 830 000	-	11 830 000	
Receivables from Exchange transactions	34 947 887	-	34 947 887	
Other receivables from non-exchange transactions	30 500 000	-	30 500 000	
Current portion of long-term receivables	500 000	-	500 000	
Assets classified as held for sale	15 000 000	-	15 000 000	
Unpaid conditional grants and receipts	-	-	-	
VAT Receivable	-	-	-	
Cash and Cash equivalents	236 534 409	-	236 534 409	
Operating Lease Assets	170 000	-	170 000	
<b>Total Assets</b>	<b>2095 593 750</b>	<b>-</b>	<b>2095 593 750</b>	-

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>REVENUE</b>				
<b><u>Revenue from Non-exchange Transactions</u></b>	<b>324 942 678</b>	<b>257 579 830</b>	<b>67 362 848</b>	
<b><u>Taxation revenue</u></b>	<b>82 522 290</b>	<b>83 293 424</b>	<b>( 771 134)</b>	
Property rates	82 522 290	83 293 424	( 771 134)	
<b><u>Transfer revenue</u></b>	<b>151 503 329</b>	<b>156 971 406</b>	<b>(5 468 077)</b>	
Government grants and subsidies	131 554 233	142 092 027	(10 537 794)	Underspending of Housing grant funds. These funds are requested to be rolled-over to the next financial year.
Public contributions, donated and contributed PPE	19 949 097	14 879 379	5 069 718	Donated Property (Land and Buildings and Library books) recognised at year-end.
<b><u>Other non-exchange revenue</u></b>	<b>90 917 058</b>	<b>17 315 000</b>	<b>73 602 058</b>	
Fines	16 440 921	17 315 000	( 874 079)	Municipality included budget for full compliance with iGrap1 during adjustment budget process. Impairment on fines more than what was foreseen.
Actuarial gains	74 476 137	-	74 476 137	This gain is a non-cash transaction which is recognised after an Actuarial valuation of Employee Benefits has been performed at year-end. The gain is mainly due to the increase in expected retirement age.
<b><u>Revenue from Exchange Transactions</u></b>	<b>505 291 878</b>	<b>496 686 551</b>	<b>8 605 327</b>	
Property rates-penalties imposed & collection charges	1 423 868	1 650 000	( 226 132)	
Service charges	429 921 691	413 181 877	16 739 814	Due to growth of both water and electricity sales.
Rental of facilities and equipment	11 485 535	11 686 256	( 200 721)	
Interest earned - external investments	13 968 480	13 330 000	638 480	Better cash flow due to savings on expenditure led to better investment opportunities, which in turn led to the increase in interest earned.
Interest earned - unamortised discount	-	-	-	
Interest earned - outstanding debtors	204 014	242 000	( 37 986)	
Licences and permits	5 204 831	4 842 500	362 331	
Gain on de-recognition of Property, Plant & Equipment	91 425	1 036 000	( 944 575)	
Other income	42 992 033	50 717 918	(7 725 885)	Funds budgeted for the sale of land to the Department of Public Works in the 13/14 year was paid over in July 2014.
<b>Total Revenue</b>	<b>830 234 555</b>	<b>754 266 381</b>	<b>75 968 174</b>	

<b>COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)</b>				
<b>EXPENDITURE</b>	<b>2014 R (Actual)</b>	<b>2014 R (Final Budget)</b>	<b>2014 R (Variance)</b>	<b>Explanations for material variances</b>
Employee related costs	201 346 005	208 539 870	(7 193 865)	Underspending of R3.2 million on contributions to Provisions for leave and Post employment health care liabilities. Due to changes in expected retirement age. Savings on Employee related costs due to strict control over filling of new positions and vacant positions during the financial year.
Remuneration of Councillors	8 681 774	8 731 246	( 49 472)	
Debt Impairment Costs	29 282 296	27 763 252	1 519 044	Impairment on fines more than what was foreseen. First time implementation of iGRAP 1 principle on Fines recognition.
Collection costs	5 159 878	5 437 000	( 277 122)	
Depreciation	52 262 071	52 134 503	127 568	
Amortisation - Intangible Assets	19 429	19 288	141	
Actuarial losses	2 810 566	1 500 000	1 310 566	These losses are non-cash transactions which is recognised after an Actuarial valuation of Employee benefits has been performed at year-end. The loss is mainly due to the extension of retirement age and payout of long service awards in line with this extension.
Repairs and maintenance	36 184 121	39 369 844	(3 185 723)	Funds received for Housing emergency kits not fully spent. This is however a two year project and funds will be utilised in next financial year. The other major underspending is on Water and Sewerage infrastructure repairs.
Finance costs	2 678 808	3 101 468	( 422 660)	
Bulk purchases	195 784 341	206 601 685	(10 817 344)	Mainly due to savings due to a reduction in line losses, better revenue management systems as well as improvement in the load factor.
Contracted services	36 949 315	37 577 624	( 628 309)	Due to underspending of contracted services for sanitation and water services.
Grants and subsidies paid	1 004 781	1 159 250	( 154 469)	
General expenses	91 628 651	132 790 865	(41 162 214)	Savings on contracted services and purchase of Chemicals. Funds budgeted for transfers of land sales and External services contributions to reserves, which was transferred through the Statement of Changes in Net Assets and not through the Statement of Financial Performance. The increase in inventory is due to the the Asazani/Izinyoka housing top structures transferred to Inventory during the 13/14 financial year in accordance with GRAP 12. R24 million was transferred from the Top structure expenditure vote to Inventory.
Loss on de-recognition of Property, Plant & Equipment	837 722	403 000	434 722	
<b>Total Expenditure</b>	<b>664 629 757</b>	<b>725 128 895</b>	<b>(60 499 138)</b>	
Impairment / Fair Value adjustment of Investment Property and Biological assets	865 145	1 182 200	( 317 055)	This is a non-cash entry that is recognised once an Independent Valuer has valued the Investment property of the Municipality at year-end. These amounts are not available when budget is finalised. Biological assets fair value adjustments recognised for first time at year end.
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>166 469 943</b>	<b>30 319 686</b>	<b>136 150 257</b>	

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF APPROVED AND FINAL BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
<b>REVENUE</b>				
<b><u>Revenue from Non-exchange Transactions</u></b>	<b>257 579 830</b>	<b>-</b>	<b>257 579 830</b>	
<b><u>Taxation revenue</u></b>	<b>83 293 424</b>	<b>-</b>	<b>83 293 424</b>	No adjustments was made to the Council Approved budget for Revenue.
Property rates	83 293 424	-	83 293 424	
<b><u>Transfer revenue</u></b>	<b>156 971 406</b>	<b>-</b>	<b>156 971 406</b>	
Government grants and subsidies	142 092 027	-	142 092 027	
Public contributions, donated and contributed PPE	14 879 379	-	14 879 379	
<b><u>Other non-exchange revenue</u></b>	<b>17 315 000</b>	<b>-</b>	<b>17 315 000</b>	
Fines	17 315 000	-	17 315 000	
Actuarial gains	-	-	-	
<b><u>Revenue from Exchange Transactions</u></b>	<b>496 686 551</b>	<b>-</b>	<b>496 686 551</b>	
Property rates-penalties imposed & collection charges	1 650 000	-	1 650 000	
Service charges	413 181 877	-	413 181 877	
Rental of facilities and equipment	11 686 256	-	11 686 256	
Interest earned - external investments	13 330 000	-	13 330 000	
Interest earned - unamortised discount	-	-	-	
Interest earned - outstanding debtors	242 000	-	242 000	
Licences and permits	4 842 500	-	4 842 500	
Gain on de-recognition of Property, Plant & Equipment	1 036 000	-	1 036 000	
Other income	50 717 918	-	50 717 918	
<b>Total Revenue</b>	<b>754 266 381</b>	<b>-</b>	<b>754 266 381</b>	

**COMPARISON OF APPROVED AND FINAL BUDGET (Continued)**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material variances
<b>EXPENDITURE</b>				
Employee related costs	208 464 870	75 000	208 539 870	All adjustments made to the Expenditure budget was due to virements approved by Council between expenditure accounts. These adjustments has a nett effect on the total budget Approved by Council.
Remuneration of Councillors	8 731 246	-	8 731 246	
Debt Impairment Costs	27 763 252	-	27 763 252	
Collection costs	6 106 000	( 669 000)	5 437 000	
Depreciation	52 134 503	-	52 134 503	
Amortisation - Intangible Assets	19 288	-	19 288	
Actuarial losses	1 500 000	-	1 500 000	
Repairs and maintenance	39 814 199	( 444 355)	39 369 844	
Finance costs	3 101 468	-	3 101 468	
Bulk purchases	206 601 685	-	206 601 685	
Contracted services	35 201 198	2 376 426	37 577 624	
Grants and subsidies paid	1 159 250	-	1 159 250	
General expenses	134 128 936	(1 338 071)	132 790 865	
Loss on de-recognition of Property, Plant & Equipment	403 000	-	403 000	
<b>Total Expenditure</b>	<b>725 128 895</b>	<b>-</b>	<b>725 128 895</b>	
Impairment / Fair Value adjustment of Investment Property and Biological assets	1 182 200	-	1 182 200	
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>30 319 686</b>	<b>-</b>	<b>30 319 686</b>	

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<u>Receipts:</u>	743 563 659	696 201 852	47 361 807	
Ratepayers	511 903 455	470 100 664	41 802 791	Refer to Budget comparison for Statement of Financial performance for detail of variances.
Government - Operating	95 242 313	100 747 289	(5 504 976)	Underspending of Housing grant funds. These funds are requested to be rolled-over to the next financial year.
Government - Capital	44 539 312	47 811 397	(3 272 085)	
Other	91 878 579	77 542 502	14 336 077	Refer to Budget comparison for Statement of Financial performance for detail of variances.
<u>Payments:</u>	606 704 817	566 054 758	40 650 059	
Suppliers	306 844 462	304 342 438	2 502 024	Savings on contracted services and purchase of Chemicals.
Employees	174 352 756	184 405 802	(10 053 046)	Savings on Employee related costs due to strict control over filling of new positions and vacant positions during the financial year.
Other	125 507 599	77 306 518	48 201 081	The increase in inventory is due to the the Asazani/Izinyoka housing top structures transferred to Inventory during the 13/14 financial year in accordance with GRAP 12. R24 million was transferred from the Top structure expenditure vote to Inventory.
Cash generated from/(utilised in) operations	136 858 843	130 147 094	6 711 748	
Interest received	14 172 494	13 572 000	600 494	
Interest paid	(2 678 808)	(3 101 468)	422 660	
<b>Net cash from operating activities</b>	<b>148 352 529</b>	<b>140 617 626</b>	<b>7 734 902</b>	

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (Continued)**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Capital Assets	(114 281 653)	(122 538 219)	8 256 566	Refer to note 47 for detail on underspending of capital budget
Proceeds on de-recognition of Capital Assets	371 290	12 444 500	(12 073 210)	Proceeds on sale of land budgeted for in 13/14 only realised in July 2014.
(Increase)/decrease in long-term receivables	264 248		264 248	
<b>Net cash from investing activities</b>	<b>(113 646 115)</b>	<b>(110 093 719)</b>	<b>(3 552 396)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in consumer deposits	2 914 950	500 000	2 414 950	Increase in consumer deposits mainly due to revision of deposits and normal deposit increases.
Proceeds/(repayment) of finance lease liability	( 75 989)	( 789 000)	713 011	Mostly as a result of partduim payments in terms of initial payments not picked-up in contracts.
Proceeds/(repayment) of other long-term liabilities	(2 008 391)	(2 000 000)	( 8 391)	
<b>Net cash from financing activities</b>	<b>830 570</b>	<b>(2 289 000)</b>	<b>3 119 570</b>	
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>35 536 983</b>	<b>28 234 907</b>	<b>7 302 075</b>	
Cash and cash equivalents at the beginning of the year	208 299 502	208 299 502	( 0)	
Cash and cash equivalents at the end of the year	243 836 485	236 534 409	7 302 075	



**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF APPROVED AND FINAL BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<u>Receipts:</u>	696 201 852	-	696 201 852	
Ratepayers	470 100 664	-	470 100 664	No adjustments was made to the Council Approved Cash flow Statement.
Government - Operating	100 747 289	-	100 747 289	
Government - Capital	47 811 397	-	47 811 397	
Other	77 542 502	-	77 542 502	
<u>Payments:</u>	566 054 758	-	566 054 758	
Suppliers	304 342 438	-	304 342 438	
Employees	184 405 802	-	184 405 802	
Other	77 306 518	-	77 306 518	
Cash generated from/(utilised in) operations	130 147 094	-	130 147 094	
Interest received	13 572 000	-	13 572 000	
Interest paid	(3 101 468)	-	(3 101 468)	
<b>Net cash from operating activities</b>	<b>140 617 626</b>	<b>-</b>	<b>140 617 626</b>	

**COMPARISON OF APPROVED AND FINAL BUDGET (Continued)**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Capital Assets	(122 538 219)	-	(122 538 219)	No adjustments was made to the Council Approved Cash flow Statement.
Proceeds on de-recognition of Capital Assets	12 444 500	-	12 444 500	
(Increase)/decrease in long-term receivables	-	-	-	
<b>Net cash from investing activities</b>	<b>(110 093 719)</b>	<b>-</b>	<b>(110 093 719)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in consumer deposits	500 000	-	500 000	
Proceeds/(repayment) of finance lease liability	( 789 000)	-	( 789 000)	
Proceeds/(repayment) of other long-term liabilities	(2 000 000)	-	(2 000 000)	
<b>Net cash from financing activities</b>	<b>(2 289 000)</b>	<b>-</b>	<b>(2 289 000)</b>	
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>28 234 907</b>	<b>-</b>	<b>28 234 907</b>	
Cash and cash equivalents at the beginning of the year	208 299 502	-	208 299 502	
Cash and cash equivalents at the end of the year	236 534 409	-	236 534 409	

# Notes to the Annual Financial Statements

## Note 1: Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless stated otherwise.

### 1.1 Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting.

The financial statements have been prepared in accordance with the Municipal Finance Management Act, (Act 56 of 2003) and effective standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 (revised February 2013) and is summarised below.

The effective standards, in accordance with Directive 5 of the Accounting Standards Board are summarised as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements (as revised in 2010)
GRAP 2	Cash Flow Statements (as revised in 2010)
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
GRAP 4	The Effects of changes in Foreign Exchange Rates (as revised in 2010)
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions (as revised in 2010)
GRAP 10	Financial Reporting in Hyperinflationary Economics (as revised in 2010)
GRAP 11	Construction Contracts (as revised in 2010)
GRAP 12	Inventories (as revised in 2010)
GRAP 13	Leases (as revised in 2010)
GRAP 14	Events after the reporting date (as revised in 2010)
GRAP 16	Investment Property (as revised in 2010)
GRAP 17	Property, Plant and Equipment (as revised in 2010)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets

<b>Reference</b>	<b>Topic</b>
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102)	Income Taxes
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The following list of directives, interpretations and guidelines of the Standards of GRAP form part of the GRAP reporting framework:

<b>Reference</b>	<b>Topic</b>
Directive 1	Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
Directive 8	Transitional Provisions for Parliament and the Provincial Legislatures
Directive 9	The Application of the Standards of GRAP by Trading Entities
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue (As revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

<b>Reference</b>	<b>Topic</b>
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
Guide 1	Guideline on Accounting for Public Private Partnerships

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7 "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.
- in the case of land and buildings a value as determined by a registered valuator.

## **1.2 Presentation currency**

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

### **1.3 Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

### **1.4 Going concern assumption**

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

### **1.5 Comparative Information**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **1.6 Standards, Amendments To Standards and Interpretations issued but not yet effective**

The following GRAP standards have been approved but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers

### **1.7 Foreign currency transactions**

The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act (MFMA).

### **1.8 Presentation of Budget information**

The presentation of budget information is prepared in accordance with the GRAP standards. The annual financial statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the annual financial statements.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2012 to 30 June 2013. The budget information is therefore on a comparable basis to the actual amounts.

Explanations for material differences between the approved and final budget are included in the annual financial statements.

Explanations for material differences between the final budget amounts and actual amounts are included the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

### **1.9 Housing Development Fund**

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects.

## **1.10 Reserves**

### **1.10.1 Capital Replacement Reserve ( CRR)**

In order to finance capital assets from internal sources, amounts are transferred out of the accumulated surplus into the Capital Replacement Reserve (CRR) in terms of the funding and reserves policy adopted by the Municipality. The cash in the CRR can only be used to finance capital expenditure appropriated in an approved budget. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

## **1.11 Employee Benefits**

### **(a) Pension obligations**

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.



Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(b) *Post Retirement Medical obligations***

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

**(c) *Long Service awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(d) *Ex gratia Gratuities***

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised.

Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(e) *Accrued Leave pay***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and is calculated as per collective bargaining council agreement.

**(f) *Accrued Annual and Performance bonuses***

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

**(g) *Other short-term employee benefits***

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees.

## **1.12 Provisions**

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.

### **1.13 Leases**

#### **1.13.1 The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity.

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

#### **1.13.2 The Municipality as Lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**1.14 Long-term liabilities (Borrowings)**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

**1.15 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

**1.16 Payables from Exchange Transactions**

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

**1.17 Unspent Conditional Grants and Receipts**

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

**1.18 Unpaid Conditional Grants and Receipts**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

**1.19 Value Added Tax**

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**1.20 Property, Plant and Equipment****1.20.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **1.20.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.20.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

<b>Asset Category</b>	<b>Asset Sub Category</b>	<b>UsefulLife in years</b>
Infrastructure Assets	Elec. Generation	10 - 30
	Elec. Reticulation	10 - 45
	Refuse	10 - 100
	Roads, Pavements & Bridges	10 - 50
	Sewerage: Purification	20 - 120
	Sewerage: Reticulation	10 - 100
	Stormwater	10 - 50
	Street Lighting	5 - 20
	Water: Dams & Reservoirs	20 - 50
	Water: Purification	10 - 100
	Water: Reticulation	10 - 120

Asset Category	Asset Sub Category	Useful Life in years		
Community Assets	Buses	10	-	15
	Cemeteries	20	-	100
	Community Halls	15	-	100
	Community: Other	15	-	100
	Fire, Safety & Emergency	10	-	100
	Libraries	10	-	100
	Museums & Art Galleries	10	-	100
	Parks & Gardens	5	-	50
	Recreational Facilities	15	-	100
	Social Rental Housing	10	-	100
	Sport fields & Stadiums	10	-	100
	Swimming Pools	10	-	20
Other Assets	Civic Land & Buildings	20	-	100
	Computers: Hardware & Eqpt	4	-	5
	Furniture & Office Equipment	7	-	30
	General Vehicles	7	-	15
	Other Buildings	50	-	100
	Other Land	Indefinite		
	Other: Other Assets	5	-	15
	Plant & Equipment	5	-	30
	Security Measures	5	-	10
	Specialised Vehicles	12	-	30

#### 1.20.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.21 Investment Property

#### 1.21.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

#### **1.21.2 Subsequent Measurement – Fair Value**

Subsequent to initial recognition investment properties are measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

#### **1.21.3 Derecognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.22 Intangible Assets**

#### **1.22.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;



- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### **1.22.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **1.22.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives at acquisition of intangible assets. These useful lives can be extended in applying a review of useful lives.

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	2-5
Other intangible assets	3-30

### **1.22.4 Derecognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.23 Heritage assets**

### **1.23.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Economic Entity, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

### **1.23.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

### **1.23.3 Depreciation and Impairment**

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### **1.23.4 Derecognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

## **1.24 Biological assets**

A biological asset when, and only when:

- (a) the entity controls the asset as a result of past events;
- (b) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (c) the fair value or cost of the asset can be measured reliably.

Biological asset are measured on initial recognition and at each reporting date at its fair value less costs to sell, except where the fair value cannot be measured reliably. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises.

## **1.25 Assets classified as held for sale**

### **1.25.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **1.25.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **1.25.3 Derecognition**

Non-current assets and disposal groups classified as held for sale will cease to be classified as such when the recognition criteria are no longer met.

## **1.26 Impairment of Assets**

### **1.26.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

### **1.26.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- depreciated replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. With this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

**1.27 Non-current investments**

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period the impairment is identified.

**1.28 Inventories****1.28.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.28.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. In general, the basis of allocating cost to inventory items is the weighted average method.

### **1.29 Trade and other Receivables**

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. In determining whether an impairment should be recorded, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the future cash flows from a financial asset.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

### **1.30 Cash and Cash Equivalents**

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and cash with banks, net of bank overdrafts.

### **1.31 Revenue Recognition**

#### **1.31.1 Revenue from exchange transactions**

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to **electricity and water** are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to **refuse removal** are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from **sewerage and sanitation** for residential and business properties are levied annually based on a fixed tariff.

**Rentals** are recognised on a straight-line basis over the term of the lease agreement.

**Revenue arising from the application of the approved tariff of charges** is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

**Interest earned on investments** is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant liability, if the grant conditions indicate that interest is payable to the funder.

Revenue from the **sale of goods** is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for **agency services** recognised is commission in terms of the agency agreement.

**Finance income from the sale of housing** by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

### **1.31.2 Revenue from non-exchange transactions**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from **property rates** is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.



**Fines** constitute both spot fines and summonses. Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the municipality does not have any control over fines issued by other government institutes/departments.

**Donations** are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. **Contributed property, plant and equipment** are recognised when such items of property, plant and equipment are brought into use.

**Revenue from third parties** i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

**Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure** is based on legislated procedures, including those set out in the Municipal Finance Management Act, Act No.56 of 2003, and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **Grants, Transfers and Donations**

Revenue received from **conditional grants, donations and funding** are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

#### **1.32 Grants and Subsidies paid**

The municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- Expect to be repaid in future, and
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

**1.33 Changes in accounting policy, estimates and errors**

Changes in accounting policies have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of changes in accounting policies are disclosed in the notes to the annual financial statements.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Detail of changes in accounting estimates are disclosed in the notes to the annual financial statements.

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

**1.34 Unauthorised Expenditure**

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.35 Irregular Expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.36 Fruitless and Wasteful Expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.37 Related parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Executive Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.38 Interest in Joint Venture**

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint ventures take many different forms and structures. There are three broad types that meet the definition of a joint venture, namely:

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

**Jointly controlled assets**

A jointly controlled asset involves joint control and often the joint ownership by the venturers of assets contributed to or acquired for the purpose of the joint venture and dedicated to the purpose of the joint venture, without the establishment of a corporation, partnership or other entity.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

**1.39 Financial Instruments**

The Municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

**1.39.1 Financial Assets**

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

### **1.39.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities

### **1.39.3 Measurement**

#### **Initial Recognition:**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### **Subsequent Measurement:**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost.

Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

### **1.39.4 Impairment of Financial Assets**

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

**Consumer Debtors** are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

**Loans and receivables** are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

### **1.39.5 Derecognition of Financial Instruments**

#### **1.39.5.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.39.5.2     Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### **1.39.6 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**1.40 Contingent Liabilities / Assets**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and liabilities are not recognised in the Statement of Financial Position.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

**1.41 Events after reporting date**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

**1.42 Significant accounting judgements and estimates**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

**Post retirement medical obligations, Long service awards and Ex gratia gratuities**

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**Property, plant and equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time. For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

**Intangible assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

**Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.



**Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material.

**Revenue Recognition**

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions above describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**Notes 2 – 57: Other Notes to Annual Financial Statements**

**2. HOUSING DEVELOPMENT FUND**

	2014 R	2013 R
Balance at beginning of the year	800 765	2 237 678
Income	26 720	90 708
Land Sales	-	23 684
Housing Letting/Selling Scheme Loans	-	-
Interest on investments	26 720	67 024
Housing Debtors	-	-
Less: Expenditure	105 060	1 527 621
Funding Capital Projects	-	-
Funding Operating Projects	105 060	1 527 621
<b>Total Housing Development Fund assets and liabilities</b>	<b>722 426</b>	<b>800 765</b>

**3. CAPITAL REPLACEMENT RESERVE**

	2014 R	2013 R
Balance at beginning of the year	59 783 414	52 870 044
Income	72 776 385	72 115 812
Land Sales contribution	1 034 465	782 902
External Services contribution	1 741 921	2 204 423
Buy-out of Parking areas contribution	-	128 487
Contribution from Operating account	70 000 000	69 000 000
Other	-	-
Less: Expenditure	67 326 189	65 202 443
Funding Capital Projects	67 326 189	65 202 443
<b>Total Capital Replacement Reserve</b>	<b>65 233 610</b>	<b>59 783 414</b>

The Capital Replacement Reserve is fully funded and invested in financial instruments.

**4. FINANCE LEASE LIABILITY**

	2014 R	2013 R
Computers (Rentworks Africa)	2 076 239	2 063 322
Vehicles (Fleet Africa)	-	-
Office equipment (Nashua, Minolta & ITEC)	173 822	262 729
Sub-total	2 250 062	2 326 051
<b>Less: Current portion transferred to current liabilities</b>	<b>996 452</b>	<b>897 857</b>
Computers (Rentworks Africa)	883 751	765 055
Vehicles (Fleet Africa)	-	-
Office equipment (Nashua, Minolta & ITEC)	112 702	132 801
<b>Total Finance lease liability</b>	<b>1 253 609</b>	<b>1 428 194</b>

Finance lease liability:

Finance lease liabilities relate to vehicles and office equipment with lease terms not more than five years. Finance leases bear interest at rates between 9.3 and 14.6 percent for Computers, between 15.4 and 17.5 percent for Vehicles and between 8.9 and 31 percent for Office Equipment. Finance lease liabilities are secured over the items of vehicles and office equipment leased.

**Obligations under Finance leases:**

Finance lease liabilities - Minimum capital lease payments:

	2014 R	2013 R
No later than 1 year	1 198 835	1 143 687
Later than 1 year and no later than 5 years	1 402 246	1 779 213
Later than 5 years	-	-
	2 601 081	2 922 900
Future finance charges on finance leases	(351 019)	(596 849)
	2 250 062	2 326 051
<b>The present value of finance lease liabilities is as follows:</b>	<b>2014 R</b>	<b>2013 R</b>
No later than 1 year	996 452	897 857
Later than 1 year and no later than 5 years	1 253 609	1 428 194
Later than 5 years	-	-
	2 250 062	2 326 051

Refer to Notes 43.1 for detail regarding the restatement of previous year balances.

Annual Financial Statements for the year ended 30 June 2014

5. OTHER LONG-TERM LIABILITIES

	2014 R	2013 R
Local registered stock loans	565 036	573 426
Long-term loan	26 000 000	28 000 000
Annuity loans	-	-
Sub-total	26 565 036	28 573 426
<b>Less: Current portion transferred to current liabilities</b>	2 092 500	2 009 250
Local registered stock loans	92 500	9 250
Long-term loan	2 000 000	2 000 000
Annuity loans	-	-
<b>Total Other Long-term Liabilities</b>	<b>24 472 536</b>	<b>26 564 176</b>

Refer to Appendix A for more detail on Long-term liabilities.

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and six years.

Long-term loan:

The municipality has taken up a R30 million loan from the Development Bank of South Africa to fund the Seawater Desalination plant constructed in the 2010/11 financial year. This loan bear interest at a floating rate of 8.275%.

Annuity loans:

Annuity loans bear interest at NIL percent. Loans was fully redeemed in the 2009/10 financial year.

6. NON-CURRENT PROVISIONS

	2014 R	2013 R
Rehabilitation of Landfill sites	35 619 822	33 603 605
Clearing of Alien Vegetation	13 649 778	14 804 703
	49 269 600	48 408 308
<b>Less: Transfer to Current Provisions</b>	1 534 846	1 909 274
Rehabilitation of Landfill sites	934 846	1 109 274
Clearing of Alien Vegetation	600 000	800 000
<b>Total Non-Current Provisions</b>	47 734 754	46 499 034
Rehabilitation of Landfill sites	34 684 976	32 494 331
Clearing of Alien Vegetation	13 049 778	14 004 703

The movement in non-current provisions are reconciled as follows:

30 June 2014

	<u>Alien Vegetation</u> R	<u>Rehabilitation of Landfill Sites</u> R
Balance at beginning of year	14 004 703	32 494 331
Contribution to provisions	-	2 016 217
Reduction in carrying amount of provision	( 557 945)	-
Reversal of unused amounts from current	203 020	1 109 274
Transfer to current provision	( 600 000)	( 934 846)
<b>Balance at end of year</b>	<b>13 049 778</b>	<b>34 684 976</b>

30 June 2013

	<u>Alien Vegetation</u> R	<u>Rehabilitation of Landfill Sites</u> R
Balance at beginning of year	15 217 366	30 562 680
Contribution to provisions	-	1 895 065
Reduction in carrying amount of provision	( 472 895)	-
Reversal of unused amounts from current	60 232	1 145 860
Transfer to current provision	( 800 000)	( 1 109 274)
<b>Balance at end of year</b>	<b>14 004 703</b>	<b>32 494 331</b>

Refer to Notes 43.2 for detail regarding the restatement of previous year balances.

6.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations of the landfill sites for the rehabilitation of these sites. The provision has been determined by consulting engineers. The payment dates of total closure and rehabilitation are uncertain, but are expected to be finalised by 2018.

6.2 CLEARING OF ALIEN VEGETATION

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

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7. EMPLOYEE BENEFITS

	2014 R	2013 R
Post Employment Health Care Benefits	81 877 000	141 567 555
Ex-Gratia Gratuities	1 822 000	1 793 426
Long Service Awards	13 276 000	9 628 292
	96 975 000	152 989 273
<b>Less: Transfer to Current liability</b>	4 933 000	5 089 670
Post Employment Health Care Benefits	3 677 000	3 514 298
Ex-Gratia Gratuities	178 000	320 303
Long Service Awards	1 078 000	1 255 069
<b>Total Non-Current liability</b>	92 042 000	147 899 603
Post Employment Health Care Benefits	78 200 000	138 053 257
Ex-Gratia Gratuities	1 644 000	1 473 123
Long Service Awards	12 198 000	8 373 223

The movement in Employee benefits are reconciled as follows:

	<u>Post Empl Health care Benefits</u> R	<u>Ex-Gratia Gratuities</u> R	<u>Long Service Awards</u> R
<b>30 June 2014</b>			
Balance at beginning of year	141 567 555	1 793 426	9 628 292
Interest Cost	10 518 469	121 352	668 756
Service cost & transitional liability	7 902 893	-	775 231
Benefit payments (Expenditure incurred)	(3 635 780)	(197 391)	(502 232)
Actuarial loss / (gain)	(74 476 137)	104 613	2 705 953
Transfer to current provision	(3 677 000)	(178 000)	(1 078 000)
<b>Balance at end of year</b>	<b>78 200 000</b>	<b>1 644 000</b>	<b>12 198 000</b>
<b>30 June 2013</b>			
Balance at beginning of year	131 842 127	1 632 326	8 124 926
Interest Cost	10 648 888	119 316	732 013
Service cost & transitional liability	7 641 905	-	656 250
Benefit payments (Expenditure incurred)	(3 304 776)	(311 276)	(1 012 810)
Actuarial loss / (gain)	(5 260 588)	353 060	1 127 913
Transfer to current provision	(3 514 298)	(320 303)	(1 255 069)
<b>Balance at end of year</b>	<b>138 053 257</b>	<b>1 473 123</b>	<b>8 373 223</b>

DEFINED BENEFIT PLAN INFORMATION

7.1 POST EMPLOYMENT HEALTH CARE BENEFITS

7.1.1 Introduction and Statistics used:

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The same method was used in the previous valuation as at 30 June 2013.

Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Medical Aid Scheme Arrangements

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Arrangements

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

- All new pensioners (that are currently still in service) will receive a 70% subsidy subject to the maximum (CAP) amount of R 3,618.04 (per month per member) for the period from 1 July 2014 to 30 June 2015. The maximum (CAP) amount was R 3,557.65 in the previous financial year.
- All existing continuation members (pensioners) will continue to receive a 70% subsidy subject to the maximum (CAP) amount of R 3,618.04 (per month per member) for the period from 1 July 2014 to 30 June 2015. The maximum (CAP) amount was R 3,557.65 in the previous financial year.
- Each of the respective member's effective date of the above-stated policy was at the date of permanent employment (at the Municipality) of each member.
- The Maximum subsidy is expected to increase at 50% of inflation.

Annual Financial Statements for the year ended 30 June 2014

	2014	2013
The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
- In-service members	455	442
- In-service non-members	-	401
- Continuation members	116	114
<b>Total</b>	<b>571</b>	<b>957</b>

The unfunded liability in respect of past service has been estimated as follows:

	2014 R	2013 R
- In-service members	34 058 000	80 444 340
- In-service non-members	-	7 183 141
- Continuation members	47 819 000	53 940 074
	<b>81 877 000</b>	<b>141 567 555</b>

**Summary of In-service members:**

	2014	2013
Number of Principal members	455	442
Number of Eligible non-members	-	401
Proportion Male	68%	75%
Average age of members	44.0	42.5
Average past service	11.7	7.2
Average monthly subsidy payable during retirement	R 1 840	R 2 115

**Summary of Continuation members:**

	2014	2013
Number of Principal members	116	114
Proportion Male	60%	56%
Average age of members	65.8	64.8
Average Employer Contribution p.m.	R 2 490	R 2 281

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed.

**7.1.2 Results of Valuation:**

**1) Accrued Liability**

	2014 R'000	2013 R'000
In-service members	34 058	80 444
In-service non-members	-	7 183
Continuation members	47 819	53 940
<b>All members</b>		
Total Value of liabilities	81 877	141 568
Value of assets	-	-
<b>Unfunded Accrued Liability</b>	<b>81 877</b>	<b>141 568</b>

The total liability decreased by 42% over the accounting period.

The main reasons for this movement are as follows:

The main reasons for the actuarial gain can be attributed to the following factors:

- 1. Changes in economic variables** – Over the past year interest rates, bond yields and inflation figures changed significantly. These changes caused the net effective discount rate to reduce by 21.0% (from 1.03% to 0.81%). This resulted in a lower net effective discount rate and hence an overall increase in the liability of around R 622,000.
- 2. Increase in expected retirement age** – Over the past financial year the average retirement age increased from 60 for males and 50 for females to 63 for all staff members, this caused the liability to decrease by around R 31,000,000.
- 3. Removal of in-service non-member assumption** – We have ignored in-service non-members for the purpose of this valuation. The assumption implicitly assumes that the effect of in-service non-members joining a medical aid will be offset by the in-service members choosing to terminate their membership prior to retirement. We often find that employees cancel their medical aid membership when getting married or when going through financial difficulty. We also do not have any clear evidence that suggests that there will be more in-service non-members joining than members terminating their membership. The removal of the in-service non-member assumption caused the liability to decrease by around R 7,000,000.
- 4. Introduction of maximum monthly subsidy (cap) assumption** – The introduction of the maximum monthly subsidy (cap) assumption of R 3,618.04 (per month per member) caused the liability to decrease by around R 22,852,000.

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**2) Current-Service and Interest Costs**

	2014	2013
	R	R
Current-service Cost (In-service members)	7 902 893	7 641 905
Interest Cost (All members)	10 518 469	10 648 888
<b>Total Cost</b>	<b>18 421 362</b>	<b>18 290 793</b>

**3) Actuarial gains and losses**

	2014	2013
	R	R
Actuarial (Gain)/Loss for the period	<b>(74 476 137)</b>	<b>(5 260 588)</b>

Contribution to Actuarial (Gain)/Loss:

Average Medical inflation more than assumed		2 764 926
Change in medical aid option		(5 020 609)
Change in assumptions		1 691 646
Changes to Membership profile different from assumed		(4 696 551)
Changes in economic variables	622 000	
Increase in expected retirement age	(31 000 000)	
Removal of in-service non-member assumption	(7 000 000)	
Introduction of maximum monthly subsidy (cap) assumption	(32 852 000)	
Unknown variance	(4 246 137)	
	<b>(74 476 137)</b>	<b>(5 260 588)</b>

**4) Past and Future Changes in the Accrued Liability**

	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016
	R	R	R	R	R
<b>Opening Accrued Liability</b>	<b>85 538 739</b>	<b>131 842 126</b>	<b>141 567 555</b>	<b>81 877 000</b>	<b>88 384 000</b>
Current-service Cost	4 283 230	7 641 905	7 902 893	2 793 000	3 046 000
Interest Cost	7 341 440	10 648 888	10 518 469	7 391 000	7 984 000
Contributions (Benefit payments)	(2 954 246)	(3 304 776)	(3 635 780)	(3 677 000)	(3 752 000)
<b>Total Annual Expense</b>	<b>8 670 424</b>	<b>14 986 017</b>	<b>14 785 582</b>	<b>6 507 000</b>	<b>7 278 000</b>
Actuarial Loss / (Gain)	37 632 963	(5 260 588)	(74 476 137)	-	-
<b>Closing Accrued Liability</b>	<b>131 842 126</b>	<b>141 567 555</b>	<b>81 877 000</b>	<b>88 384 000</b>	<b>95 662 000</b>

**7.1.3 Key actuarial assumptions used:**

Valuation Assumptions

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. IAS 19 places the responsibility on management to set these assumptions, as guided by the principles set out in IAS 19 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

**1) Financial Variables**

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

Financial Variable	2014	2013
Discount Rate	9.07%	7.43%
Medical Aid Contribution Inflation	8.19%	6.34%
CPI (Consumer Price Inflation)	7.19%	5.18%
Net Effective Discount Rate	0.81%	1.03%

Discount Rate

IAS 19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet\* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet\* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations."

\*Statement of Financial Position (herein referred to as the "balance sheet").

Our discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 3rd of June 2014.

Medical Aid Inflation

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate Inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R209) and current index-linked bond yields (R202).

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

**2) Average Retirement Age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

**3) Normal Retirement Age**

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**4) Mortality Rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

**5) Decrements**

Withdrawal

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal rate	
	Males	Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

**6) Spouses and Dependents**

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

**7.1.4 The amounts recognised in the Statement of Financial Position are as follows:**

	2014 R	2013 R
Present value of fund obligations	87 877 000	141 567 555
Fair value of plan assets	-	-
<b>Unfunded Accrued Liability</b>	<b>87 877 000</b>	<b>141 567 555</b>
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
<b>Net liability</b>	<b>87 877 000</b>	<b>141 567 555</b>

**7.1.5 The amounts recognised in the Statement of Financial Performance are as follows:**

	2014 R	2013 R
Current service cost	7 902 893	7 641 905
Interest cost	10 518 469	10 648 888
Actuarial losses/ (gains)	(74 476 137)	(5 260 588)
Vested past service cost	-	-
Total included in employee related costs (Note 33) and Actuarial losses	<b>(56 054 775)</b>	<b>13 030 205</b>

**7.1.6 History of Liabilities, Assets and Experience Adjustments**

**i) Present value of accrued liability and Fair value of plan assets**

	Year ending 30/06/2010 R'000	Year ending 30/06/2011 R'000	Year ending 30/06/2012 R'000	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000
Present value of accrued liability	74 832	85 539	131 842	141 568	81 877
Fair Value of plan asset	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>( 74 832)</b>	<b>( 85 539)</b>	<b>( 131 842)</b>	<b>( 141 568)</b>	<b>( 81 877)</b>

**ii) Experience adjustments**

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ending 30/06/2010 R'000	Year ending 30/06/2011 R'000	Year ending 30/06/2012 R'000	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000
Plan liabilities (Gain) / Loss	12 088	( 4 667)	2 676	1 932	622
Plan assets	-	-	-	-	-

**7.1.7 Sensitivity Analysis:**

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
	R	R	R
Total Accrued Liability	87 376 000	81 877 000	77 210 000
Interest Cost	7 900 000	7 391 000	6 960 000
Service Cost	3 007 000	2 793 000	2 608 000

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
	R	R	R
Total Accrued Liability	78 868 000	81 877 000	84 104 000
Interest Cost	7 113 000	7 391 000	7 597 000
Service Cost	2 670 000	2 793 000	2 874 000

**7.2 EX-GRATIA GRATUITIES**

**7.2.1 Introduction and Statistics used:**

Valuation Method and Assumptions

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Ex-gratia Benefits Liabilities

The benefits taken into account in the valuation can briefly be summarised as follows:

*Ex-gratia Pensions*

Certain pensions are paid by the Municipality from its revenue and are therefore not funded by any of the Municipality's pension funds. The Revenue Pensions are also referred to as "Ex-gratia" Pensions. Pensioners receive a monthly pension, increased annually and payable for life.

*Spouses Pensions*

There is a 60% contingent pension payable to a spouse upon the pensioner's death.

*Pension increases*

The Municipality currently aims to target annual ex-gratia pension increases at 50% of the Headline CPI inflation. The actual increase for the 2014 year is 3% - which is consistent with regards to 50% of Headline CPI inflation.

Valuation of Assets

As at the valuation date, the ex-gratia benefits liabilities of the Municipality were unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Statistics on eligible retirees:

	2014	2013
Number of Pensioners	8	11
Average annual pension (Rand)	24 840	21 828
Pension-weighted average age	73.8	74.6

**7.2.2 Results of Valuation:**

1) Accrued Liability

	2014	2013
	R	R
Total Value of liabilities	1 822 000	1 793 426
Value of assets	-	-
<b>Unfunded Accrued Liability</b>	<b>1 822 000</b>	<b>1 793 426</b>

The total liability has increased by 1.6% or R28 574 over the accounting period.



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**2) Current-Service and Interest Costs**

	2014 R	2013 R
Total Interest Costs	<u>121 352</u>	<u>119 316</u>

As there are no in-service members that are eligible for ex-gratia pension benefits there were no Current-service cost calculated in our valuation.

**3) Actuarial gains and losses**

	2014 R	2013 R
Actuarial (Gain)/Loss for the period	<u>104 613</u>	<u>353 060</u>

**4) Past and Future Changes in the Accrued Liability**

	Year ending 30/06/2012 R	Year ending 30/06/2013 R	Year ending 30/06/2014 R	Year ending 30/06/2015 R	Year ending 30/06/2016 R
Opening Accrued Liability	1 515 266	1 632 326	1 793 426	1 822 000	1 786 000
Current-service Cost	-	-	-	-	-
Interest Cost	109 456	119 316	121 352	142 000	142 000
Benefit payments	( 162 910)	( 311 276)	( 197 391)	( 178 000)	( 175 000)
<b>Total Annual Expense</b>	<b>( 53 454)</b>	<b>( 191 960)</b>	<b>( 76 039)</b>	<b>( 36 000)</b>	<b>( 33 000)</b>
Actuarial Loss / (Gain)	170 514	353 060	104 613	-	-
<b>Closing Accrued Liability</b>	<b>1 632 326</b>	<b>1 793 426</b>	<b>1 822 000</b>	<b>1 786 000</b>	<b>1 753 000</b>

**7.2.3 Key actuarial assumptions used:**

Valuation Assumptions

In estimating the liability for ex-gratia benefits a number of assumptions are required. IAS 19 places the responsibility on management to set these assumptions, as guided by the principles set out in IAS 19 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

**1) Financial Variables**

As stated we have calculated the ex-gratia pensioner liability by multiplying the annual pension provided to us by an appropriate annuity factor as at the valuation date. The assumptions we used to determine the annuity factors were as follows:

Financial Variable	2014	2013
Discount Rate	8.37%	7.43%
Consumer Price Inflation (CPI)	6.72%	5.18%
Pension Inflation	3.36%	2.59%
Net Effective Discount Rate	4.85%	4.72%

Discount rate

IAS 19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet\* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet\* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations."

\*Statement of Financial Position (herein referred to as the "balance sheet").

The discount rate was set equal to the yield of the R186 bond as at the valuation date.

Normal pension Inflation rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R186) and current index-linked bond yields (R197). The actual yield of the R186 and R197 bonds were sourced from the RMB Global Markets website on 3rd of June 2014. We assumed that the pension increases awarded to the ex-gratia pensioners will be equal to 50% of the increase in Headline CPI inflation - which was consistent with last years' valuation.

**2) Mortality Rates and Spouses**

Mortality has been based on the PA(90) mortality tables. These are the most commonly used tables in the industry. It was assumed that female spouses would be five years younger than their male spouses and vice versa.

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	2014	2013
	R	R
<b>7.2.4 The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	1 822 000	1 793 426
Fair value of plan assets	-	-
<b>Unfunded Accrued Liability</b>	<b>1 822 000</b>	<b>1 793 426</b>
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
<b>Net liability</b>	<b>1 822 000</b>	<b>1 793 426</b>
<b>7.2.5 The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	-	-
Interest cost	121 352	119 316
Actuarial losses/ (gains)	104 613	353 060
Vested past service cost	-	-
Total included in employee related costs (Note 33) and Actuarial losses	<b>225 965</b>	<b>472 376</b>

**7.2.6 History of Liabilities, Assets and Experience Adjustments:**

**1) Present value of accrued liability and Fair value of plan assets**

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
	R	R	R	R	R
Present value of accrued liability	924 867	1 515 265	1 632 326	1 793 426	1 822 000
Fair Value of plan asset	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>( 924 867)</b>	<b>(1 515 265)</b>	<b>(1 632 326)</b>	<b>(1 793 426)</b>	<b>(1 822 000)</b>

**2) Experience adjustments**

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
	R	R	R	R
Plan liabilities (Gain) / Loss	583 653	223 622	207 048	16 000
Plan assets	-	-	-	-

**7.2.7 Sensitivity analysis:**

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible persons will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
	R	R	R
Total Accrued Liability	1 975 000	1 822 000	1 698 000
Interest Cost	155 000	142 000	131 000

Pension inflation

The cost of the Ex-gratia Benefits is dependent on the increase in the annual pensions paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the Pension inflation assumption. The effect is as follows:

	-1% Pension inflation	Valuation Assumption	+1% Pension inflation
	R	R	R
Total Accrued Liability	1 701 000	1 822 000	1 957 000
Interest Cost	132 000	142 000	153 000

**7.3 LONG SERVICE AWARDS**

**7.3.1 Introduction and Statistics used:**

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long Service Awards Liabilities

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a 14th cheque (equivalent to one month's additional salary that is equal to one month's salary at the date of the accrual of the long service award). We have converted the awarded days leave days into a percentage of the employee's annual salary + a 14th cheque (if applicable is expressed as 1 month over a whole year - 12 months). The days leave conversion is based on a 250 working day year and therefore the leave days benefits awarded can be expressed as follows:

10 years service = 10 working days  
15 years service = 15 working days  
20 years service = 20 working days  
25 years service = 25 working days  
30 years service = 30 working days plus one calendar month  
35 years service = 35 working days plus one calendar month  
40 years service = 40 working days plus one calendar month  
45 years service = 45 working days plus one calendar month

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Statistics on eligible employees:

	2014	2013
Number of eligible employees	832	828
Average annual salary (Rand)	138 376	126 672
Salary-weighted average age	43.51	44.4
Salary-weighted average past service	11.01	10.9

**7.3.2 Results of Valuation:**

**1) Accrued Liability**

	2014	2013
	R	R
Total Value of liabilities	13 276 000	9 628 292
Value of assets	-	-
<b>Unfunded Accrued Liability</b>	<b>13 276 000</b>	<b>9 628 292</b>
<b>Average liability per member</b>	<b>15 957</b>	<b>11 628</b>

The total liability has increased by 37.9% or R3 647 708:

The main reasons for the actuarial loss can be attributed to the following factors:

- 1. Changes in economic variables** – Over the past financial year the net effective discount rate reduced from 1.41% to 0.61%. This caused the liability to increase by around R 850,000.
- 2. Increase in expected retirement age** – Over the past financial year the expected retirement age increased from 60 to 63, this caused the liability to increase by around R 2,600,000.
- 3. Reduced promotional salary increase rates** – Over the past financial year the reduced promotional salary increase rates caused the liability to decrease by around R 750,000.

**2) Current-Service and Interest Costs**

	2014	2013
	R	R
Current-service Cost	775 231	732 013
Interest Cost	668 756	656 250
<b>Total Cost</b>	<b>1 443 987</b>	<b>1 388 263</b>

**3) Actuarial gains and losses**

	2014	2013
	R	R
Actuarial (Gain)/Loss for the period	2 705 953	1 127 913
<u>Contribution to Actuarial (Gain)/Loss:</u>		
Basis changes : (Increase)/Decrease in net discount rate		141 005
Salary increases (lower)/higher than assumed		560 866
Changes to Membership profile different from assumed		426 042
Changes in economic variables	850 000	
Increase in expected retirement age	2 600 000	
Reduced promotional salary increase rates	( 750 000)	
Unknown variance	5 953	
	<b>2 705 953</b>	<b>1 127 913</b>

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**4) Past and Future Changes in the Accrued Liability**

	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015	Year ending 30/06/2016
	R	R	R	R	R
<b>Opening Accrued Liability</b>	<b>6 990 489</b>	<b>8 124 926</b>	<b>9 628 292</b>	<b>13 276 000</b>	<b>14 380 000</b>
Current-service Cost	913 759	732 013	775 231	1 094 000	1 129 839
Interest Cost	513 203	656 250	668 756	1 088 000	1 152 187
Benefit payments	(1 105 654)	(1 012 810)	(502 232)	(1 078 000)	(1 157 000)
<b>Total Annual Expense</b>	<b>321 308</b>	<b>375 453</b>	<b>941 755</b>	<b>1 104 000</b>	<b>1 125 026</b>
Actuarial Loss / (Gain)	813 129	1 127 913	2 705 953	-	-
<b>Closing Accrued Liability</b>	<b>8 124 926</b>	<b>9 628 292</b>	<b>13 276 000</b>	<b>14 380 000</b>	<b>15 505 026</b>

**7.3.3 Key actuarial assumptions used:**

Valuation Assumptions

In estimating the liability for long service leave benefits a number of assumptions are required. IAS 19 places the responsibility on management to set these assumptions, as guided by the principles set out in IAS 19 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

**1) Financial Variables**

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	2014	2013
Discount rate	8.02%	7.43%
CPI (Consumer Price Inflation)	6.37%	5.18%
Normal Salary Increase Rate	7.37%	5.94%
Net Effective Discount Rate	0.61%	1.41%

Discount Rate

IAS 19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet\* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet\* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations."

\*Statement of Financial Position (herein referred to as the "balance sheet").

Our discount rate was therefore set as the yield of the R208 South African government bond as at the valuation date. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 3rd of June 2014.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 bonds was sourced from the RMB Global Markets website. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

Age Band	Females
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0

**2) Average Retirement Age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

**3) Normal Retirement Age**

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**4) Mortality Rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

**5) Withdrawal Decrements**

A table setting out the assumed rates of withdrawal from service is set out below:

Age	Withdrawal Rate	Withdrawal Rate
	Males	Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

**7.3.4 The amounts recognised in the Statement of Financial Position are as follows:**

	2014	2013
	R	R
Present value of fund obligations	13 276 000	9 628 292
Fair value of plan assets	-	-
<b>Unfunded Accrued Liability</b>	<b>13 276 000</b>	<b>9 628 292</b>
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
<b>Net liability</b>	<b>13 276 000</b>	<b>9 628 292</b>

**7.3.5 The amounts recognised in the Statement of Financial Performance are as follows:**

	2014	2013
	R	R
Current service cost	775 231	732 013
Interest cost	668 756	656 250
Actuarial losses/ (gains)	2 705 953	1 127 913
Vested past service cost	-	-
Total included in employee related costs (Note 33) and Actuarial losses	<b>4 149 940</b>	<b>2 516 176</b>

**7.3.6 History of Liabilities, Assets and Experience Adjustments:**

**i) Present value of accrued liability and Fair value of plan assets:**

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
	R	R	R	R	R
Present value of accrued liability	6 463 589	6 990 489	8 124 926	9 628 292	13 276 000
Fair Value of plan asset	-	-	-	-	-
<b>Surplus / (deficit)</b>	<b>(6 463 589)</b>	<b>(6 990 489)</b>	<b>(8 124 926)</b>	<b>(9 628 292)</b>	<b>(13 276 000)</b>

**ii) Experience adjustments**

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
	R	R	R	R	R
Plan liabilities (Gain) / Loss	95 064	( 344 738)	131 466	986 908	850 000
Plan assets	-	-	-	-	-

**7.3.7 Sensitivity Analysis:**

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
	R	R	R
Total Accrued Liability	14 063 000	13 276 000	12 578 000
Current Service Cost	1 201 000	1 094 000	1 004 000
Interest Cost	1 156 000	1 088 000	1 029 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
	R	R	R
Total Accrued Liability	12 270 000	13 276 000	14 404 000
Current Service Cost	994 000	1 094 000	1 209 000
Interest Cost	1 004 000	1 088 000	1 184 000

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7.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is a defined benefit plan, whereas the Cape Retirement Fund, the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in The membership distribution of The participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

**CAPE JOINT PENSION FUND**

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2013 (30 June 2012) revealed that the fund had an actuarial deficit of R10 030 (R18 287) with a funding level of 99.7% (99.4%), and is in a sound financial state as at 30 June 2013.

**CAPE RETIREMENT FUND**

The fund is in a sound financial condition at the valuation date of 30 June 2013. The total value of net assets of the Fund was R13.6 billion. An effective investment return of 18.0% per annum was awarded for the Growth Portfolio, 6.9% for the Protection Portfolio and 11.4% for the Moderate Portfolio for the year ending 30 June 2013. The funding level for the Share account was 100.2% and 105.1% for the Pensions account.

**SALA PENSION FUND**

The SALA Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed as on 1 July 2013 revealed that the fund had an actuarial surplus of R0 with a funding level of 100%, and is in a sound financial state as at 1 July 2013.

**MUNICIPAL COUNCILLORS PENSION**

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The last valuation performed for the year ended 30 June 2012 revealed that the fund had an funding level of 99.5% (2009 - 102.0%), and is in a sound financial state as at 30 June 2012.

**SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND**

As actuaries of SAMWU provident Fund, Towers Watson, confirmed that the fund is financially stable, operates as a going concern and has no liquidity issues.

8. NON-CURRENT DEPOSITS

**Santos Pavilion Repair Fund**

Balance at beginning of year  
Contributions during the year  
Interest on Investment  
Expenditure during the year

2014	2013
R	R
235 202	228 020
-	-
7 549	7 183
-	-
<u>242 751</u>	<u>235 202</u>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 93-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100 000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

9. CONSUMER DEPOSITS

Electricity  
Water  
**Total consumer deposits**

2014	2013
R	R
9 883 233	7 866 152
7 496 216	6 598 347
<u>17 379 449</u>	<u>14 464 499</u>

**Guarantees held in lieu of electricity deposits**

-	-
---	---

No Guarantees are held in lieu of electricity and water. No interest accrues on consumer deposits.

10. PROVISIONS (CURRENT PORTION)

Rehabilitation of Landfill sites  
Clearing of Alien Vegetation  
**Total Provisions**

2014	2013
R	R
934 846	1 109 274
600 000	800 000
<u>1 534 846</u>	<u>1 909 274</u>

The movement in current provisions are reconciled as follows:

**Rehabilitation of Landfill sites**

Balance at beginning of year  
Transfer from non-current  
Contributions to provisions  
Unused amount reversed to non-current  
Expenditure incurred  
**Balance at end of year**

2014	2013
R	R
1 109 274	1 145 860
934 846	1 109 274
-	-
(1 109 274)	(1 145 860)
-	-
<u>934 846</u>	<u>1 109 274</u>

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 6)

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	2014	2013
	R	R
<b>Clearing of Alien Vegetation</b>		
Balance at beginning of year	800 000	700 000
Transfer from non-current	600 000	800 000
Contributions to provisions	-	-
Unused amount reversed to non-current provision	( 203 020)	( 60 232)
Expenditure incurred	( 596 980)	( 639 768)
<b>Balance at end of year</b>	<b>600 000</b>	<b>800 000</b>

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 6)

**11. CURRENT EMPLOYEE BENEFITS**

	2014	2013
	R	R
Current portion of Post Employment Health Care Benefits (Refer to note 6)	3 677 000	3 514 298
Current portion of Ex-Gratia Gratuities (Refer to note 6)	178 000	320 303
Current portion of Long Service Awards (Refer to note 6)	1 078 000	1 255 069
Staff Leave accrual	11 432 078	11 472 763
Performance Bonuses accrual	652 930	534 016
Employee Bonuses accrual	4 240 620	3 989 416
Employee Overtime / Standby allowances accrual	798 823	832 671
<b>Total Current Employee Benefits</b>	<b>22 057 451</b>	<b>21 918 536</b>

**Performance bonuses accrual**

	2014	2013
	R	R
Balance at beginning of year	534 016	984 545
Contributions to provisions	639 043	534 016
Expenditure incurred	( 520 129)	(984 545)
<b>Balance at end of year</b>	<b>652 930</b>	<b>534 016</b>

Performance Bonus accrual:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

**Staff leave accrual**

	2014	2013
	R	R
Balance at beginning of year	11 472 763	10 594 338
Contributions to provisions	789 278	2 290 743
Expenditure incurred	( 829 962)	(1 412 319)
<b>Balance at end of year</b>	<b>11 432 078</b>	<b>11 472 763</b>

Staff Leave Accrual:

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and the total remuneration package of the employee.

**Employee bonus accrual**

	2014	2013
	R	R
Balance at beginning of year	3 989 416	3 800 032
Contributions to provisions	4 240 620	3 989 416
Expenditure incurred	(3 989 416)	(3 800 032)
<b>Balance at end of year</b>	<b>4 240 620</b>	<b>3 989 416</b>

Employee bonus Accrual:

Annual bonuses accrue to employees on an annual basis, based on the employee contract. These accruals are an estimate of the amount due to staff as at the financial year end.

**Employee Overtime / Standby allowances**

	2014	2013
	R	R
Balance at beginning of year	832 671	629 902
Contributions to provisions	798 823	832 671
Expenditure incurred	( 832 671)	( 629 902)
<b>Balance at end of year</b>	<b>798 823</b>	<b>832 671</b>

Employee Overtime / Standby allowances accrual:

An accrual is done for the Overtime/Standby allowances that accrued to employees with regards to the financial year.

**12. PAYABLES FROM EXCHANGE TRANSACTIONS**

	2014	2013
	R	R
Trade payables	59 802 135	50 343 034
Payments received in advance	13 327 586	10 167 947
Accrued Expenditure	67 172	47 284
Retentions	8 460 108	13 237 225
Other payables	601 417	262 028
Other deposits	7 391 788	7 171 484
<b>Total Payables from exchange transactions</b>	<b>89 650 206</b>	<b>81 229 002</b>

Refer to Notes 43.3 for detail regarding the restatement of previous year balances.

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

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**13. UNSPENT / (UNPAID) CONDITIONAL GRANTS AND RECEIPTS**

	2014	2013
	R	R
<u>13.1.1 Unspent conditional grants from spheres of government</u>	15 438 846	6 372 619
Provincial Grants (Note 30)	15 407 857	6 264 559
National Grants (Note 30)	30 989	108 060
Other Government Grants (Note 30)	-	-
<u>13.1.2 Unspent other conditional receipts</u>	204 317	1 253 353
District Municipality	-	-
Developers contributions	-	-
Public contributions (Note 32)	204 317	1 253 353
<b>Total unspent conditional grants and receipts</b>	<b>15 643 163</b>	<b>7 625 972</b>
	<b>2014</b>	<b>2013</b>
	R	R
<u>13.2.1 Unpaid conditional grants from spheres of government</u>	(4 769 729)	-
Provincial Grants (Note 30)	(4 769 729)	-
National Grants (Note 30)	( 0)	-
Other Government Grants (Note 30)	-	-
<u>13.2.2 Unpaid other conditional receipts</u>	-	-
District Municipality	-	-
Developers contributions	-	-
Public contributions (Note 32)	-	-
<b>Total unpaid conditional grants and receipts</b>	<b>(4 769 729)</b>	<b>-</b>

These amounts are invested in a ring-fenced investments until utilised in terms of section 12 of the MFMA.

Refer to Note 30 for reconciliation of Grants & Subsidies and Note 32 for reconciliation of Public Contributions. Also refer to Appendix D for detail per Vote, per Project and Per Grant/contribution.

**14. VAT Payable / Receivable**

	2014	2013
	R	R
VAT Payable	-	-
VAT Receivable	4 806 948	2 342 519
<b>Total VAT Receivable / (Payable)</b>	<b>4 806 948</b>	<b>2 342 519</b>

VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over SARS.

Refer to Notes 43.4 for detail regarding the restatement of previous year balances.

**15. PROPERTY, PLANT & EQUIPMENT**

	2014	2013
	R	R
<b>As at 30 June 2013</b>		
<b>Carrying values at the beginning of the year</b>	<b>1 581 407 650</b>	<b>1 586 059 037</b>
Cost	1876 658 526	1866 815 205
Under Construction	67 485 205	33 491 800
Accumulated Depreciation	(362 736 081)	(314 247 968)
<u>Movement in Cost:</u>		
Acquisitions	54 955 177	12 493 994
Disposals	(2 825 476)	(2 475 673)
Transfer to non-current assets held for sale	( 146 489)	( 175 000)
Reclassification (to) / from other assets	(4 200 100)	-
<u>Movement in Under Construction:</u>		
Under Construction - Additions	95 520 509	103 285 213
Completed Under construction	(40 701 591)	(69 291 809)
<u>Movement in Accumulated Depreciation:</u>		
Depreciation	(52 262 071)	(50 079 058)
Accumulated Depreciation on disposals	1 857 889	1 590 945
<b>Carrying values at the end of the year</b>	<b>1633 605 498</b>	<b>1581 407 650</b>
Cost	1924 441 638	1876 658 526
Under Construction	122 304 123	67 485 205
Accumulated Depreciation	(413 140 263)	(362 736 081)

Refer to Notes 43.5 for detail regarding the restatement of previous year balances.

Refer to Notes 45.1 for detail regarding the change in accounting estimates relating to changes in useful lives and residual values of PPE assets.

Refer to Note 52 for the amount of contractual commitment for the acquisition of PPE. The amount of R21 256 159 for contractual commitments is approved and contracted.

Finance lease liabilities are secured over the items of vehicles, computer equipment and office equipment leased. The total carrying value of these leased assets at 30 June 2014 is R2 678 811 and include leased assets where the finance leases have been fully redeemed, but the assets are still used by the municipality. The monthly payments regarding these leased assets are treated as operating leases.

Included in the Infrastructure cost is an amount of R127 832 541 for the Seawater Desalination Plant which was completed during the year and is the Municipality's portion of the capital expenditure for the construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. There are no budgeted capital commitments toward the Seawater Desalination facility for the following year.



ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2014

	Cost							Accumulated Depreciation						Carrying value	
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Transfer to Non Current assets held for sale	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Impairment losses or reversals	Disposed		Closing balance
	R	R	R	R	R	R	R	R	R	R	R	R	R		R
INFRASTRUCTURE ASSETS															
Elec. Generation	-	-	-	-	-	-	-	-	6 727	-6 727	-	-	-	-	
Elec. Reticulation	179 687 639	39 815 978	-	24 087 948	-	-	-	243 591 565	53 176 207	491 517	3 737 574	-	-	57 405 298	
Solid Waste	35 730 700	4 000	-	2 016 217	-	-	-	37 750 917	7 659 241	-	4 951 327	-	-	12 610 567	
Roads, Pavements & Bridges	290 382 992	38 956 780	-	7 556 237	-2 200 000	1 000	40 171	334 654 838	61 651 473	-	10 870 878	-	34 051	72 488 300	
Sewerage: Purification	82 491 725	6 568 232	-	-	-	-	-	89 059 957	30 715 562	-	1 362 575	-	-	32 078 136	
Sewerage: Reticulation	223 283 075	13 166 395	-	1 661 335	-	-	-	238 110 805	38 867 352	31 977	6 356 947	-	-	45 256 276	
Stormwater	79 501 509	2 528 622	-	2 511 808	-	-	-	84 541 939	12 248 964	-	1 554 420	-	-	13 803 384	
Street Lighting	1 527 063	-	-	374 451	-	-	-	1 901 513	216 547	-	76 238	-	-	292 785	
Water: Dams & Reservoirs	45 928 575	-	-	218 840	-	-	-	46 147 415	17 552 168	-31 977	867 432	-	-	18 387 623	
Water: Purification	221 137 948	983 012	-	177 907	-	-	-	222 298 867	18 682 627	-	7 018 137	-	-	25 700 764	
Water: Reticulation	128 483 433	8 928 745	-	48 172	-	-	-	137 460 351	38 281 045	-	4 111 971	-	-	42 393 017	
Sub-Total	1 288 154 660	110 951 765	-	38 652 914	-2 200 000	1 000	40 171	1 435 518 168	279 057 912	484 790	40 907 500	-	34 051	320 416 151	
COMMUNITY ASSETS															
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cemeteries	448 036	-	-	82 492	-	-	-	530 528	125 270	-	12 540	-	-	137 810	
Clinics	34 500	-	-	-	-	-	-	34 500	11 966	-	369	-	-	12 335	
Community Halls	25 403 302	-	-	-	-	-	-	25 403 302	7 526 448	-	197 547	-	-	7 723 994	
Fire, Safety & Emergency	2 437 836	-	-	-	-	-	-	2 437 836	305 608	-	23 840	-	-	329 448	
Libraries	4 036 679	15 200	-	109 889	-	-	-	4 161 768	1 211 644	-	48 121	-	-	1 259 766	
Museums & Art Galleries	2 301 740	-	-	-	-	-	-	2 301 740	266 469	-	16 894	-	-	283 363	
Parks & Gardens	9 137 861	-	-	-	-	-	30	9 137 831	1 192 598	-	89 471	-	28	1 282 041	
Recreational Facilities	3 587 788	15 672	-	148 500	-	-	-	3 751 959	1 043 655	-	151 694	-	-	1 195 349	
Social Rental Housing	48 260 139	-	-	-	-	-	25 500	48 234 639	8 759 954	-	383 469	-	-	9 143 423	
Sport fields & Stadiums	58 541 518	9 015 327	-	57 018	-	-	-	67 613 862	7 462 352	-	1 035 699	-	-	8 498 050	
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community Other	125 810 976	-	-	-	-	109 638	5 000	125 696 338	9 050 834	-	1 237 987	-	-	10 288 822	
Sub-Total	280 000 375	9 046 199	-	397 899	-	109 638	30 530	289 304 304	36 956 797	-	3 197 631	-	28	40 154 401	
Total carried forward	1 568 155 034	119 997 964	-	39 050 813	-2 200 000	110 638	70 701	1 724 822 472	316 014 710	484 790	44 105 131	-	34 079	360 570 551	

# MOSSEL BAY MUNICIPALITY

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	Cost								Accumulated Depreciation						Carrying value
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfers (From) or To	Transfer to Non Current assets held for sale	Disposed	Closing Balance	Opening Balance	Transfers (From) or To	Additions	Impairment losses or reversals	Disposed	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Total brought over	1 568 155 034	119 997 964	-	39 050 813	-2 200 000	110 638	70 701	1 724 822 472	316 014 710	484 790	44 105 131	-	34 079	360 570 551	1 364 251 921
OTHER ASSETS															
Civic Land & Buildings	43 993 730	-	-	-	-	-	-	43 993 730	4 520 724	-	238 073	-	-	4 758 797	39 234 933
Other Buildings	37 587 536	996 664	-	1 794 227	-	-	-	40 378 427	4 792 687	-	346 370	-	-	5 139 057	35 239 370
Other Land	142 815 018	-	-	5 450 000	-2 000 100	35 851	5 000	146 224 067	-	-	-	-	-	-	146 224 067
Computers: Hardware & Eqpt	6 809 294	197 682	-	823 178	-	-	255 596	7 574 558	2 802 876	-	1 090 074	-	138 640	3 754 309	3 820 249
Furniture & Office Equipment	16 403 412	-	-	1 563 375	-	-	525 284	17 441 503	6 884 879	-	1 624 657	-	408 941	8 100 595	9 340 908
General Vehicles	25 752 176	-	-	2 852 790	-	-	1 232 372	27 372 595	9 658 904	-	1 768 823	-	710 388	10 717 339	16 655 256
Plant & Equipment	17 002 246	940 538	-	1 414 566	-	-	340 919	19 016 432	10 301 986	-484 790	1 964 511	-	269 137	11 512 569	7 503 863
Security Measures	6 156 910	171 275	-	450 127	-	-	-	6 778 312	3 245 047	-	668 971	-	-	3 914 018	2 864 294
Specialised Vehicles	11 961 668	-	-	1 556 100	-	-	395 604	13 122 164	4 499 411	-	453 922	-	296 703	4 656 631	8 465 534
Other Assets	21 502	-	-	-	-	-	-	21 502	14 858	-	1 540	-	-	16 397	5 104
Sub-Total	308 503 491	2 306 159	-	15 904 364	-2 000 100	35 851	2 754 775	321 923 289	46 721 371	-484 790	8 156 940	-	1 823 810	52 569 711	269 353 577
Total Property, Plant & Equipment	1 876 658 526	122 304 122	-	54 955 177	-4 200 100	146 489	2 825 476	2 046 745 761	362 736 081	-	52 262 071	-	1 857 889	413 140 263	1 633 605 498
INTANGIBLE ASSETS															
Intangible Assets: Software	116 988	-	-	59 879	-	-	-	176 867	75 102	-	19 429	-	-	94 531	82 336
Intangible Assets: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	116 988	-	-	59 879	-	-	-	176 867	75 102	-	19 429	-	-	94 531	82 336
HERITAGE ASSETS															
Heritage Assets: Buildings	3 397 827	-	-	-	-	-	-	3 397 827	-	-	-	-	-	-	3 397 827
Heritage Assets: Other	732 769	-	-	-	-	-	-	732 769	-	-	-	-	-	-	732 769
Heritage Assets: Monuments	95 003	-	-	-	-	-	-	95 003	-	-	-	-	-	-	95 003
	4 225 599	-	-	-	-	-	-	4 225 599	-	-	-	-	-	-	4 225 599
INVESTMENT PROPERTIES															
Investment Property: Buildings	82 822 414	-	10 491 222	17 764 676	-	3 759 636	-	107 318 676	-	-	-	-	-	-	107 318 676
Investment Property: Land	247 911 145	-	-9 754 591	1 041 210	4 200 100	5 051 092	-	238 346 772	-	-	-	-	-	-	238 346 772
	330 733 559	-	736 631	18 805 886	4 200 100	8 810 728	-	345 665 447	-	-	-	-	-	-	345 665 447
Grant Total Capital Assets	2 211 734 672	122 304 122	736 631	73 820 942	-	8 957 217	2 825 476	2 396 813 674	362 811 183	-	52 281 500	-	1 857 889	413 234 794	1 983 578 880
INCLUDED ABOVE:															
Leased Assets:	4 534 804	-	-	821 867	-	-	386 295	4 970 377	1 904 541	-	718 079	-	331 054	2 291 566	2 678 811
Computer Hardware	3 104 325	-	-	777 973	-	-	55 501	3 826 796	774 748	-	636 600	-	17 744	1 393 603	2 433 193
Computer Software	41 477	-	-	-	-	-	-	41 477	36 839	-	1 157	-	-	37 996	3 481
Office Machines	475 065	-	-	43 895	-	-	-	518 960	255 195	-	51 306	-	-	306 501	212 459
Vehicles	913 937	-	-	-	-	-	330 793	583 144	837 760	-	29 016	-	313 310	553 466	29 678
Land & Buildings (PPE):	529 992 446	1 942 586	-	3 453 723	-	146 489	35 500	535 206 766	39 410 087	-	2 672 294	-	-	42 082 381	493 124 385
Land	252 038 818	-	-	-	-	146 489	35 500	251 856 830	-	-	-	-	-	-	251 856 830
Buildings	277 953 627	1 942 586	-	3 453 723	-	-	-	283 349 937	39 410 087	-	2 672 294	-	-	42 082 381	241 267 555

ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

	Cost						Accumulated Depreciation					Carrying value	
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Transfer to Non Current assets held for sale	Disposed	Closing Balance	Opening Balance	Additions	Impairment losses or reversals	Disposed		Closing balance
	R	R	R	R	R	R	R	R	R	R	R		R
INFRASTRUCTURE ASSETS													
Elec. Generation	99 754	-	-	-	-	-	99 754	3 519	3 208	-	-	6 727	93 027
Elec. Reticulation	172 345 459	43 404 422	-	713 957	-	-	216 463 838	49 699 169	3 482 564	-	-	53 181 733	163 282 105
Solid Waste	35 409 959	4 000	-	3 521 240	-	-	38 935 199	2 325 331	5 180 075	-	-	7 505 406	31 429 793
Roads, Pavements & Bridges	235 774 992	27 701 462	-	-	-	735	263 475 719	47 087 320	7 598 903	-	561	54 685 662	208 790 057
Sewerage: Purification	83 339 908	84 724	-	-	-	110 621	83 314 010	30 065 608	1 148 728	-	50 175	31 164 161	52 149 849
Sewerage: Reticulation	68 827 253	5 411 956	-	80 291	-	350	74 319 150	12 764 037	2 309 976	-	134	15 073 879	59 245 271
Stormwater	76 280 927	2 462 446	-	-	-	-	78 743 373	10 926 901	1 307 417	-	-	12 234 318	66 509 055
Street Lighting	1 527 063	-	-	-	-	-	1 527 063	143 183	73 364	-	-	216 547	1 310 515
Water: Dams & Reservoirs	46 551 886	-	-	-	-	-	46 551 886	16 651 798	900 370	-	-	17 552 168	28 999 718
Water: Purification	220 722 948	-	-	-	-	-	220 722 948	11 666 154	7 016 473	-	-	18 682 627	202 040 321
Water: Reticulation	121 807 032	866 411	-	-	-	-	122 673 443	34 955 877	4 367 935	-	-	39 323 812	83 349 632
Sub-Total	1 062 687 181	79 935 421	-	4 315 488	-	111 706	1 146 826 383	216 288 897	33 389 013	-	50 869	249 627 040	897 199 343
COMMUNITY ASSETS													
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	448 036	-	-	-	-	-	448 036	114 724	10 546	-	-	125 270	322 766
Clinics	34 500	-	-	-	-	-	34 500	11 596	369	-	-	11 966	22 534
Community Halls	20 663 302	-	-	-	-	-	20 663 302	7 278 313	195 322	-	-	7 473 634	13 189 668
Fire, Safety & Emergency	2 442 836	-	-	-	-	-	2 442 836	280 422	25 187	-	-	305 608	2 137 228
Libraries	3 448 706	7 241 263	-	38 306	-	-	10 728 275	1 163 627	35 907	-	-	1 199 534	9 528 741
Museums & Art Galleries	2 301 740	-	-	-	-	-	2 301 740	249 572	16 898	-	-	266 469	2 035 271
Parks & Gardens	9 096 788	-	-	-	-	-	9 096 788	1 102 971	89 604	-	-	1 192 575	7 904 212
Recreational Facilities	3 587 788	-	-	-	-	-	3 587 788	896 713	146 942	-	-	1 043 655	2 544 133
Social Rental Housing	48 340 139	-	-	-	35 000	-	48 305 139	8 376 401	383 553	-	-	8 759 954	39 545 185
Sport fields & Stadiums	56 091 518	1 845 595	-	-	-	-	57 937 112	6 565 884	896 467	-	-	7 462 352	50 474 761
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Other	125 821 976	8 469 910	-	-	6 000	-	134 285 885	7 836 910	1 205 543	-	-	9 042 453	125 243 432
Sub-Total	272 277 327	17 556 767	-	38 306	41 000	-	289 831 401	33 877 134	3 006 336	-	-	36 883 470	252 947 931
Total carried forward	1 334 964 508	97 492 188	-	4 353 795	41 000	111 706	1 436 657 784	250 166 030	36 395 349	-	50 869	286 510 510	#####

ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

	Cost							Accumulated Depreciation					Carrying value
	Opening Balance	Under Construction	Fair Value Adjustments	Additions and Finalised WIP	Reclassified	Disposed	Closing Balance	Opening Balance	Additions	Impairment losses or reversals	Disposed	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Total brought over</b>	<b>1 334 964 508</b>	<b>97 492 188</b>	<b>-</b>	<b>4 353 795</b>	<b>41 000</b>	<b>111 706</b>	<b>1 436 657 784</b>	<b>250 166 030</b>	<b>36 395 349</b>	<b>-</b>	<b>50 869</b>	<b>286 510 510</b>	<b>#####</b>
<b>OTHER ASSETS</b>													
Civic Land & Buildings	43 993 730	-	-	-	-	-	43 993 730	4 282 598	238 126	-	-	4 520 724	39 473 006
Other Buildings	37 587 536	91 370	-	-	-	-	37 678 906	4 454 795	337 892	-	-	4 792 687	32 886 219
Other Land	128 923 118	-	-	-	134 000	-	128 789 118	-	-	-	-	-	128 789 118
Computers: Hardware & Eqpt	6 116 531	-	-	1 159 528	-	479 938	6 796 121	2 366 617	813 660	-	387 478	2 792 798	4 003 323
Furniture & Office Equipment	13 783 498	-	-	1 932 762	-	273 820	15 442 440	5 479 490	1 398 781	-	147 044	6 731 227	8 711 213
General Vehicles	23 005 612	-	-	3 873 265	-	1 126 701	25 752 176	8 506 290	1 854 532	-	701 918	9 658 904	16 093 272
Plant & Equipment	19 656 218	79 160	-	1 694 879	-	276 867	21 153 391	7 694 936	2 762 922	-	161 214	10 296 644	10 856 746
Security Measures	5 554 129	874 425	-	64 920	-	-	6 493 473	2 296 242	930 983	-	-	3 227 225	3 266 248
Specialised Vehicles	10 896 923	-	-	1 064 745	-	-	11 961 668	3 925 307	574 104	-	-	4 499 411	7 462 257
Other Assets	21 502	-	-	-	-	-	21 502	13 197	1 661	-	-	14 858	6 644
<b>Sub-Total</b>	<b>289 538 797</b>	<b>1 044 955</b>	<b>-</b>	<b>9 790 099</b>	<b>134 000</b>	<b>2 157 326</b>	<b>298 082 524</b>	<b>39 019 474</b>	<b>8 912 660</b>	<b>-</b>	<b>1 397 655</b>	<b>46 534 478</b>	<b>251 548 046</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>1 624 503 306</b>	<b>98 537 143</b>	<b>-</b>	<b>14 143 893</b>	<b>175 000</b>	<b>2 269 033</b>	<b>1 734 740 309</b>	<b>289 185 504</b>	<b>45 308 009</b>	<b>-</b>	<b>1 448 524</b>	<b>333 044 989</b>	<b>#####</b>
<b>INTANGIBLE ASSETS</b>													
Intangible Assets: Software	129 988	-	-	-	-	13 000	116 988	56 283	19 743	-	925	75 102	41 886
Intangible Assets: Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>129 988</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 000</b>	<b>116 988</b>	<b>56 283</b>	<b>19 743</b>	<b>-</b>	<b>925</b>	<b>75 102</b>	<b>41 886</b>
<b>HERITAGE ASSETS</b>													
Heritage Assets: Buildings	3 397 827	-	-	-	-	-	3 397 827	-	-	-	-	-	3 397 827
Heritage Assets: Other	732 769	-	-	-	-	-	732 769	-	-	-	-	-	732 769
	<b>4 130 596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 130 596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 130 596</b>
<b>INVESTMENT PROPERTIES</b>													
Investment Property: Buildings	101 444 270	-	-146 492	-	-	-	101 297 778	-	-	-	-	-	101 297 778
Investment Property: Land	227 982 197	-	3 385 525	-	90 000	-	231 277 722	-	-	-	-	-	231 277 722
	<b>329 426 467</b>	<b>-</b>	<b>3 239 033</b>	<b>-</b>	<b>90 000</b>	<b>-</b>	<b>332 575 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>332 575 500</b>
<b>Grant Total Capital Assets</b>	<b>1 958 190 356</b>	<b>98 537 143</b>	<b>3 239 033</b>	<b>14 143 893</b>	<b>265 000</b>	<b>2 282 033</b>	<b>2 071 563 392</b>	<b>289 241 787</b>	<b>45 327 752</b>	<b>-</b>	<b>1 449 449</b>	<b>333 120 091</b>	<b>#####</b>
<b>INCLUDED ABOVE:</b>													
<b>Leased Assets:</b>	3 975 751	-	-	977 701	-	418 648	4 534 804	1 816 749	435 368	-	347 576	1 904 541	2 630 263
Computer Hardware	2 543 408	-	-	880 089	-	319 172	3 104 325	739 089	318 682	-	283 023	774 748	2 329 577
Computer Software	41 477	-	-	-	-	-	41 477	35 685	1 154	-	-	36 839	4 637
Office Machines	389 930	-	-	97 611	-	12 476	475 065	203 366	62 842	-	11 014	255 195	219 870
Vehicles	1 000 937	-	-	-	-	87 000	913 937	838 608	52 691	-	53 539	837 760	76 178
<b>Land &amp; Buildings:</b>	848 725 702	17 646 137	3 239 033	38 306	265 000	-	869 384 179	36 725 958	2 625 802	-	-	39 351 760	830 032 418
Land	467 035 740	-	3 385 525	-	265 000	-	470 156 265	-	-	-	-	-	470 156 265
Buildings	381 689 962	17 646 137	-146 492	38 306	-	-	399 227 913	36 725 958	2 625 802	-	-	39 351 760	359 876 153

**16. BIOLOGICAL ASSETS**

	Quantity (Hectar)	Fair value (per Hectar) R	2014 R	2013 R
Pine Grove Plantation	17.41	112 665	1 961 495	1 832 981
			<u>1 961 495</u>	<u>1 832 981</u>

Fair value of biological assets is based on selling prices less costs to sell in an open active market. These prices were obtained from a suitable qualified Forest Economist. The Forest Economist used the following methodologies in order to compile a salvage value, faustmann formula and discounted cash flow.

The Pine grove plantation is located on farms 25 and 46 (Great Brak river), which are situated 4.02 km from the town Friemersheim, GPS coordinates are 33.937955°S, 22.135313° E.

Reconciliation of fair value:

	2014 R	2013 R
Opening Fair Value	1 832 981	1 717 510
Fair Value adjustments - Price changes	61 057	46 354
Fair Value adjustments - Cost changes	-5 480	-4 629
Fair Value adjustments - Volume changes	72 937	73 746
Closing Fair Value	<u>1 961 495</u>	<u>1 832 981</u>

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the acquisition of biological assets.

Refer to Notes 43.6 for detail regarding the restatement of previous year balances.

**17. INTANGIBLE ASSETS**

	2014 R	2013 R
<b>Carrying values at the beginning of the year</b>	41 886	73 705
Cost	116 988	129 988
Accumulated amortisation	( 75 102)	( 56 283)
<b><u>Movement in Cost:</u></b>		
Acquisitions	59 879	-
De-recognition	-	( 13 000)
<b><u>Movement in Accumulated Depreciation:</u></b>		
Amortisation	( 19 429)	( 19 743)
Amortisation written back on de-recognition	-	925
<b>Carrying values at the end of the year</b>	82 336	41 886
Cost	176 867	116 988
Accumulated amortisation	( 94 531)	( 75 102)

Intangible assets are initially recognised at cost and are carried at cost less accumulated amortisation and impairments.

Intangible assets have finite useful lives and the estimated remaining useful lives are reviewed at each reporting period.

The amortisation expense is included in the line item "Amortisation - Intangible Assets" (Note 36) in the Statement of Financial Performance.

The municipality does not have any internally

Refer to Notes 45.1 for detail regarding the change in accounting estimates relating to changes in useful lives and residual values of Intangible assets.

**18. INVESTMENT PROPERTY**

	2014 R	2013 R
<b>Carrying values at the beginning of the year</b>	343 684 458	327 659 526
Cost	330 733 559	327 659 526
Under Construction	12 950 899	-
Acquisitions	18 805 886	-
Fair Value adjustment	736 631	3 164 033
Reclassification (to) / from other assets	4 200 100	-
Reclassified as assets held for sale	(8 810 728)	( 90 000)
Under Construction - Additions	1 913 776	12 950 899
Completed Under construction	(14 864 676)	-
<b>Carrying values at the end of the year</b>	345 665 447	343 684 458
Cost	345 665 447	330 733 559
Under Construction	-	12 950 899

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	2014	2013
	R	R
<b>Amounts included in Surplus/Deficit for the year, are as follows:</b>		
Rental Revenue from Investment Property	1 243 519	695 459
Fair value adjustment	736 631	3 164 033

Refer to Notes 43.7 for detail regarding the restatement of previous year balances.

At initial recognition, the municipality measures Investment Property at cost and the fair value model is applied to investment property for subsequent measurement. Under the fair value model, Investment Property is carried at its fair value at the reporting date.

The fair value of Investment Property is supported by market evidence.

Revaluations were performed by an independent valuator, Mr CH Badenhorst, of Abathathu Valuers CC, who holds a recognised and relevant qualification. As the valuer are bound to place a fair value on the properties valued, he selected to make use of 3 different methods of valuation practice, namely, Market value, Capitalisation of Property Income and Replacement cost less depreciation.

The fair value adjustment is included in the line item "Fair value adjustment" (Note 42) in the Statement of Financial Performance.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of de-recognition.

**19. HERITAGE ASSETS**

	2014	2013
	R	R
<b>Carrying values at the beginning of the year</b>	4 225 599	4 225 599
Cost	4 225 599	4 225 599
<b>Movements:</b>		
None	-	-
<b>Carrying values at the end of the year</b>	4 225 599	4 225 599
Cost	4 225 599	4 225 599

Refer to Notes 43.8 for detail regarding the restatement of previous year balances.

**The following Heritage Assets were identified, but no value could be provided:**

Site 3419, Mossel Bay - Cave at the point

The Cape st. Blaize Cave at the point in Mosselbay situated on site 3419 is classified as a heritage asset controlled and owned by the Municipality. The Cape st. Blaize Cave yield artefacts dating back 80 000 years. The artefacts it selves are housed at the Culture Museum which is not controlled or owned by the Municipality.

Sites 7357 en 2938, Mossel Bay - Harry Giddey

The Harry Giddey Park on site 2938 is classified as a heritage asset of the Municipality. The park was erected in 1887 and originally named after Queen Victory of England to commemorate her 50th year as Queen. The park was renamed later in 1939 as the Harry Giddey Park in honour of Mr Harry Giddey, a wealthy person of Mossel Bay for all the efforts to upgrade the park.

**20. LONG-TERM RECEIVABLES**

	2014	2013
	R	R
<b>Long-term receivables:</b>	2 060 173	2 324 421
Study Loans	114 938	80 276
Land Sales Debtors	16 833	24 110
Public Assistance Loans	106 051	178 613
Housing Selling Scheme Loans	1 822 352	2 041 422
<b>Less: Current portion transferred to current receivables</b>	422 191	460 362
Land Sales Debtors	3 222	4 324
Public Assistance Loans	85 551	102 432
Housing Selling Scheme Loans	333 418	353 605
<b>Less: Provision for Debt Impairment of long-term receivables</b>	775 694	1 286 962
Housing Selling Scheme Loans	775 694	1 286 962
<b>Total</b>	862 288	577 097
<b>Reconciliation of Debt Impairment of Long-term receivables</b>		
	2014	2013
	R	R
Balance at beginning of year	1 286 962	901 494
Contribution to / (Reversal from) provision	( 511 268)	385 469
Bad Debts written off / recovered	-	-
<b>Balance at end of year</b>	775 694	1 286 962

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Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa.

A payment percentage of 57.84 % was established and a provision for debt impairment was made for 42.16%.

No provision for debt impairment to be

**Land Sales**

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

**Public assistance loans**

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at a rate of between 12% and 15% per annum. The last repayment is in September 2018.

**Housing Selling Scheme Loans**

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

**21. ASSETS CLASSIFIED AS HELD FOR SALE**

	2014	2013
	R	R
<b>Carrying values at the beginning of the year</b>	6 259 640	6 695 640
Investment Property	5 465 140	5 375 140
PPE	794 500	1 320 500
Transfers / adjustments - Investment Property	8 810 728	90 000
Transfers / adjustments - PPE	146 489	175 000
Investment Property sold during the year	( 45 000)	-
PPE sold during the year	( 105 000)	( 701 000)
<b>Carrying values at the end of the year</b>	15 066 857	6 259 640
Investment Property	14 230 868	5 465 140
PPE	835 989	794 500

Refer to Notes 43.9 for detail regarding the restatement of previous year balances.

Assets classified as held for sale (PPE) refers to certain erven for the mid-income housing group in Arcotis avenue and Lelie avenue situated in the area of Great-Brak River. Council's aim is to provide housing to the mid-income group, i.e. people in police and correctional services, teachers and nursing staff. Non-current assets held for sale (Investment Property) relates to minor properties and a portion of the commonage (Erf 2001) sold to private developers.

**22. INVENTORY**

	2014	2013
	R	R
Consumable stores - at cost	930 179	938 642
Maintenance materials - at cost	8 059 081	8 029 309
Meters	304 317	357 423
Spare parts	4 171	32 154
Housing Topstructures	25 641 646	1 397 325
Purification Materials	1 274 484	966 452
Water purification	156 970	191 455
<b>Total inventory</b>	<b>36 370 847</b>	<b>11 912 759</b>

Inventory to the value of R107 574.77 (R52 092 in 2012/13) was written off during the financial year.

Housing topstructure inventory relates to Azizani/Zinyoka housing project for which Mossel Bay municipality is the appointed developer.

Refer to Note 43.10 for detail regarding the restatement of the previous year balance of maintenance materials.

**23. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances	Provision for Debt Impairment	Net Balance
	R	R	R
<b>As at 30 June 2014</b>	<b>50 902 170</b>	<b>18 512 969</b>	<b>32 389 201</b>
Service debtors	16 319 411	2 387 902	13 931 509
Electricity	14 988 150	6 106 832	8 881 319
Water	5 954 345	2 364 646	3 589 699
Refuse	13 640 263	7 653 589	5 986 674
Sewerage	2 635 334	2 628 201	7 133
Debtpack Collections	6 400	5 011	1 389
Land Sales	1 041 325	156 408	884 916
Housing Instalments	322 832	110 952	211 880
Housing rentals	2 155 305	917 897	1 237 408
Other	57 063 366	22 331 439	34 731 927
<b>Total</b>	<b>57 063 366</b>	<b>22 331 439</b>	<b>34 731 927</b>
<b>As at 30 June 2013</b>	<b>46 040 577</b>	<b>15 462 130</b>	<b>30 578 447</b>
Service debtors	16 919 424	2 260 367	14 659 058
Electricity	13 153 889	5 086 086	8 067 803
Water	4 891 914	1 719 656	3 172 258
Refuse	11 075 350	6 396 022	4 679 328
Sewerage	1 979 476	1 974 007	5 469
Debtpack Collections	6 426	5 000	1 426
Land Sales	1 065 885	532 688	533 197
Housing Instalments	304 458	140 963	163 495
Housing rentals	2 488 588	767 346	1 721 242
Other	51 885 410	18 882 133	33 003 277
<b>Total</b>	<b>51 885 410</b>	<b>18 882 133</b>	<b>33 003 277</b>

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**Electricity, Water, Refuse and Sewerage): Ageing**

	2014 R	2013 R
Current (0 -30 days)	26 417 824	25 400 206
31 - 60 Days	1 975 834	1 295 058
61 - 90 Days	1 747 641	1 147 229
91 - 120 Days	1 441 643	998 931
121- 365 Days	2 540 983	1 802 274
> 365 Days	16 778 245	15 396 878
<b>Total</b>	<b>50 902 170</b>	<b>46 040 577</b>

Service debtors receivables that are past due as at the end of 2013/14 but not impaired, for less than 30 days is R25 606 873 (2012/13 = R24 468 161) and for more than 30 days is R6 782 327 (2012/13 = R6 110 286).

**Debtpack Collections**

	2014 R	2013 R
Current (0 -30 days)	-	181
31 - 60 Days	229	-
61 - 90 Days	-	-
91 - 120 Days	60	1 352
121- 365 Days	431 921	245 003
> 365 Days	2 203 123	1 732 940
<b>Total</b>	<b>2 635 334</b>	<b>1 979 476</b>

Debtpack collection receivables that are past due as at the end of 2013/14 but not impaired, for less than 30 days is R0 (2012/13 = R181) and for more than 30 days is R7 133 (2012/13 = R5 288).

**Housing Instalments**

	2014 R	2013 R
Current (0 -30 days)	10 405	45 244
31 - 60 Days	4 202	14 937
61 - 90 Days	2 468	5 408
91 - 120 Days	13 238	5 319
121- 365 Days	24 003	10 701
> 365 Days	987 007	984 276
<b>Total</b>	<b>1 041 325</b>	<b>1 065 885</b>

Housing instalments receivables that are past due as at the end of 2013/14 but not impaired, for less than 30 days is R10 405 (2012/13 = R45 244) and for more than 30 days is R874 511 (2012/13 = R487 953).

**Housing rentals: Ageing**

	2014 R	2013 R
Current (0 -30 days)	5 686	18 482
31 - 60 Days	2 009	5 622
61 - 90 Days	1 761	2 047
91 - 120 Days	5 213	1 898
121- 365 Days	10 010	3 778
> 365 Days	298 153	272 631
<b>Total</b>	<b>322 832</b>	<b>304 458</b>

Housing rentals receivables that are past due as at the end of 2013/14 but not impaired, for less than 30 days is R4 635 (2012/13 = R18 482) and for more than 30 days is R207 246 (2012/13 = R145 013).

**Other**

	2014 R	2013 R
Current (0 -30 days)	796 814	1 647 788
31 - 60 Days	313 437	30 780
61 - 90 Days	123 207	46 068
91 - 120 Days	55 969	57 302
121- 365 Days	50 076	98 453
> 365 Days	815 804	608 197
<b>Total</b>	<b>2 155 305</b>	<b>2 488 588</b>

Other receivables that are past due as at the end of 2013/14 but not impaired, for less than 30 days is R796 814 (2012/13 = R1 647 788) and for more than 30 days is R440 594 (2012/13 = R73 454).

**Land Sales**

	2014 R	2013 R
Current (0 -30 days)	457	629
31 - 60 Days	59	185
61 - 90 Days	38	176
91 - 120 Days	38	33
121- 365 Days	72	67
> 365 Days	5 737	5 335
<b>Total</b>	<b>6 400</b>	<b>6 426</b>

Land sales receivables that are past due as at the end of 2013/14 but not impaired, for less than 30 days is R457 (2012/13 = R629) and for more than 30 days is R932 (2012/13 = R797).

**Reconciliation of Provision for debt impairment of receivables**

	2014 R	2013 R
Balance at beginning of year	18 882 133	23 989 822
Contribution to / (Reversal from) provision	10 557 985	13 834 196
Bad Debts written off / recovered	(7 108 679)	(18 941 886)
<b>Balance at end of year</b>	<b>22 331 439</b>	<b>18 882 133</b>

**Summary of Receivables by Consumer Classification**

	2014 R	2013 R
Residential	34 955 925	31 472 681
Industrial / Commercial	13 397 049	13 061 614
National / Provincial government	1 416 340	946 973
Payments received in Advance	7 294 051	6 404 141
	<b>57 063 366</b>	<b>51 885 410</b>



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24. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2014	2013
	R	R
<b>Other Receivables from Non-Exchange transactions:</b>	48 875 135	39 769 105
Rates	11 724 185	11 489 190
Traffic Fines	13 098 595	-
Accrued Income	20 337 439	20 884 844
Payments made in advance	2 037 168	8 684
Government subsidies	-	5 960 000
Other	1 677 747	1 426 387
Recoverable Expenditure	-	-
<b>Less: Provision for debt impairment of other receivables</b>	17 600 922	5 281 328
Rates	5 504 200	5 281 328
Traffic Fines	12 096 722	-
<b>Total</b>	<b>31 274 214</b>	<b>34 487 776</b>

Refer to Notes 43.11 for detail regarding the restatement of previous year balances.

The Accounting Standard Board amended IGRAP 1 Applying the Probability Test on the Initial Recognition of Revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. IGRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment. This Interpretation of the Standards of GRAP is applied prospectively.

Fine revenue of all fines issued during the current year amounted to R13 098 595. The outstanding fines was assessed for impairment based on the present value of future cash flows of fines issued. R12 096 722 was provided as bad debt.

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for debt impairment. However the "Other Debtors" are individually assessed.

No provision for debt impairment is made for debtors other than Rates Debtors and Traffic Fines.

<b>Rates: Ageing</b>	2014	2013
	R	R
Current (0 - 30 days)	4 833 430	4 525 499
31 - 60 Days	311 836	332 597
61 - 90 Days	282 897	286 049
91 - 120 Days	250 690	267 852
121- 365 Days	425 738	505 489
> 365 Days	5 619 596	5 571 704
<b>Total</b>	<b>11 724 185</b>	<b>11 489 190</b>

Rates receivables that are past due as at the end of 2013/14 but not impaired, for less than 30 days is R4 808 779 (2012/13 = R4 144 452) and for more than 30 days is R1 411 207 (2012/13 = R2 063 409).

<b>Reconciliation of Provision for debt impairment of other receivables</b>	2014	2013
	R	R
Balance at beginning of year	5 281 328	4 727 855
Contribution to / (Reversal from) provision	18 370 434	803 972
Bad Debts written off / recovered	(6 050 840)	( 250 499)
<b>Balance at end of year</b>	<b>17 600 922</b>	<b>5 281 328</b>
<b>Summary of Rates by Consumer Classification</b>	2014	2013
	R	R
Residential	7 217 203	8 177 551
Industrial / Commercial	3 376 790	2 721 978
National / Provincial government	557 188	364 901
Payments received in Advance	573 005	224 759
	<b>11 724 185</b>	<b>11 489 190</b>

25. INVESTMENTS

	2014	2013
	R	R
Long-term Deposits : Other bodies	4 643 479	4 552 392
<b>Less:</b> Payment to other bodies	(4 643 479)	(4 552 392)
Short-term Investment deposits	230 654 452	205 000 000
<b>Less:</b> Current portion maturing within next 12 months - refer note 26	(230 654 452)	(205 000 000)
	<b>-</b>	<b>-</b>

No investments were written off during the year.

The average rate of return on Investments were 5.56% for the year ended 30 June 2014.

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- That council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:
  - short-term investments (0 - 12 months) only institutions with a National credit rating of F1 and higher be used
  - long-term investments (more than 12 months) only institutions with a National credit rating of AA or higher be used
- Not more than 50% of the total investments invested with one institution

Long-term Deposits: Other bodies (Group Schemes)

These deposits are Group Scheme funds of employees that is paid over to the Municipality, who then invests these funds in the name of the employee in Money market funds. It therefor has no impact on the Municipality's Statement of Financial Position.

Annual Financial Statements for the year ended 30 June 2014

<b>26. CASH AND CASH EQUIVALENTS</b>		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>Assets</b>			
Petty Cash		18 960	18 960
Bank balances		13 163 073	3 280 542
Short-term Investment deposits		230 654 452	205 000 000
<b>Total cash and cash equivalents - Assets</b>		<b>243 836 485</b>	<b>208 299 502</b>
<b>Liabilities</b>			
Bank overdraft (as per Cash book balance)		-	-
<b>Total cash and cash equivalents - Liabilities</b>		<b>-</b>	<b>-</b>
<u>The municipality has the following bank accounts:</u>			
<b>BANK ACCOUNT</b>	<b>Account Numbers</b>		
Primary Bank Account - STANDARD BANK CHECQUE ACCOUNT	82846979	10 436 132	2 165 018
Secondary Bank Account - STANDARD BANK DEPOSIT ACCOUNT	82846936	-	(13 809)
Traffic Bank Account - STANDARD BANK	300965338	( 7)	-
		<b>10 436 125</b>	<b>2 151 210</b>
		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
Bank statement balance at beginning of year		2 151 210	51 022 930
Bank statement balance at end of year		10 436 125	2 151 210
Cash book balance at beginning of year		3 280 542	27 455 389
Cash book balance at end of year		13 163 073	3 280 542
Petty Cash / Float at beginning of year		18 960	18 660
Petty Cash / Float at end of year		18 960	18 960
INVESTMENTS: Current portion matures within next 12 months - Refer Note 25		230 654 452	205 000 000
All accounts are with STANDARD BANK. The balance of account no. 82846936 - deposit account and account no. 300965338 - Account for Traffic fines, is swept to the cheque account - Primary bank account no. 82846979			
<b>27. OPERATING LEASES</b>			
<b>The Municipality as lessee</b>			
Operating leases relate to Buildings with lease terms of between one to ten years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.			
<u>In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:</u>		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
Balance at beginning of year		530 704	122 820
Movement for the year		308 923	407 885
<b>Total Operating Lease Liabilities - as lessee</b>		<b>839 627</b>	<b>530 704</b>
Refer to Note 42.6 for detail regarding the restatement of previous year balances.			
<u>The following payments have been recognised as an expenditure in the Statement of Financial Performance:</u>		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
Lease payments		2 121 298	1 700 354
<b>Total Operating Lease payments - as lessee</b>		<b>2 121 298</b>	<b>1 700 354</b>
<u>At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:</u>		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>Buildings</b>			
Up to 1 year		1 537 119	2 121 298
1 to 5 years		5 528 376	5 249 460
More than 5 years		4 928 469	6 433 413
<b>Total Operating Lease arrangements - as lessee</b>		<b>11 993 964</b>	<b>13 804 171</b>
<b>The Municipality as lessor</b>			
Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to forty years. The lessee does not have an option to purchase the property at the expiry of the lease period.			
<u>In respect of Non-cancellable Operating Leases the following assets have been recognised in the Statement of Financial Position:</u>		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
Balance at beginning of year		121 018	120 588
Movement for the year		51 631	430
<b>Total Operating Lease Assets - as lessor</b>		<b>172 649</b>	<b>121 018</b>

Annual Financial Statements for the year ended 30 June 2014

The following receipts have been recognised as an income in the Statement of Financial Performance:

	2014	2013
	R	R
Lease income	1 243 519	695 459
<b>Total Operating Lease income - as lessor</b>	<b>1 243 519</b>	<b>695 459</b>

At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

	2014	2013
	R	R
<b>Investment Property</b>		
Up to 1 year	1 268 601	821 449
1 to 5 years	2 104 710	1 883 593
More than 5 years	771 515	746 329
<b>Total Operating Lease arrangements - as lessor</b>	<b>4 144 826</b>	<b>3 451 371</b>

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

28. PROPERTY RATES

	2014	2013
	R	R
<b>Actual</b>		
Residential	65 987 308	61 597 344
Commercial	16 022 969	15 511 121
Vleesbaai	379 339	354 157
Accommodation Establishments	1 639 902	1 699 483
State	343 618	343 537
Building Clause	13 052	12 455
Assessment Rate: Letting	1 340	1 358
Assessment Rate: State Building Kwa Nonqaba	15 588	142 780
Agricultural	939 167	845 770
Agricultural Business	528 750	530 041
Special Rated Area - CID	474 753	-
Less: Income forgone	(3 823 497)	(3 476 504)
<b>Total assessment rates</b>	<b>82 522 290</b>	<b>77 561 543</b>

	July 2014	July 2013
<b>Valuations</b>		
Residential	26 152 501 470	25 950 925 300
Commercial	3 230 935 200	3 254 195 400
State	562 296 500	582 962 500
Municipal	606 314 500	608 051 200
Parsonage	88 660 100	90 620 100
Building Clause	5 161 940	5 357 940
Accommodation Establishments	473 058 000	499 234 700
Accommodation Agricultural	151 410 000	154 975 000
Vleesbaai	498 836 700	493 930 700
Public Services Infrastructure - Private	5 610 100	-
Public Open Space - Private	6 618 600	-
Protected Area	3 580 000	-
Assessment Rate: State Building Kwa Nonqaba	19 900 400	22 223 900
Churches	160 817 900	158 587 900
Agricultural	1 460 969 000	1 431 030 000
<b>Total property valuations</b>	<b>33 426 670 410</b>	<b>33 252 094 640</b>

The valuation of land takes place every four years in terms of the determinations of the new Ordinance on Property Valuation, 1993. The basic rate for land and buildings ranged between R0,000637 and R0,005092 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R5 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

29. SERVICE CHARGES

	2014	2013
	R	R
Sale of electricity	272 387 024	252 211 116
Sale of water	81 102 640	73 548 561
Refuse removal	32 848 826	30 098 998
Sewerage & sanitation charges	43 583 202	40 448 040
<b>Total service charges</b>	<b>429 921 691</b>	<b>396 306 714</b>

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs.

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<b>30. GOVERNMENT GRANTS AND SUBSIDIES</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<u>Unconditional grants</u>	47 196 000	42 495 000
Equitable share	47 196 000	42 495 000
<u>Conditional grants</u>	84 358 233	69 688 037
National Government Grants	25 968 820	20 334 834
Provincial Government Grants	57 550 368	48 457 622
Main Road Subsidy - Provincial	35 000	47 300
Other Grants	804 045	848 282
<b>Total Government Grants &amp; Subsidies</b>	<b>131 554 233</b>	<b>112 183 037</b>
<b>30.1 Summary of Government Grants &amp; Subsidies</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Capital Government Grants & Subsidies	33 832 795	50 169 281
Operating Government Grants & Subsidies	97 721 438	62 013 756
<b>Total</b>	<b>131 554 233</b>	<b>112 183 037</b>
<b>30.2 Equitable Share</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	-	-
Current year receipts	47 196 000	42 495 000
Adjustments	-	-
Conditions met - transferred to revenue	(47 196 000)	(42 495 000)
Conditions still to be met - transferred to liabilities (see note 13)	-	-
<b>30.3 National Government Grants</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	108 060	578 833
Current year receipts	29 452 000	22 667 000
Adjustments	(3 560 251)	(2 802 939)
Conditions met - transferred to revenue	(25 968 820)	(20 334 834)
Conditions still to be met - transferred to liabilities (see note 13)	30 989	108 060
Mossel Bay Municipality received various grants from National Government for operational and capital projects, such as the Municipal Infrastructure Grant. National Grants also include Finance Management Grant, EPWP and MSIG funding. Other than the amounts unspent, the conditions of the grants have been met.		
<b>30.4 Provincial Government Grants</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	6 264 559	16 172 863
Current year receipts	61 999 736	39 901 628
Adjustments / VAT	( 75 798)	(1 352 310)
Conditions met - transferred to revenue	(57 550 368)	(48 457 622)
Conditions still to be met - transferred to liabilities (see note 13)	10 638 128	6 264 559
Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Human Settlements grant, Library services, Finance Management Support Grant, Greenest Town and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met.		
<b>30.5 Main Roads Subsidy</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	-	-
Current year receipts	35 000	47 300
Conditions met - transferred to revenue	( 35 000)	( 47 300)
Conditions still to be met - transferred to liabilities (see note 13)	-	-
<b>30.6 Other Grants</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	-	-
Current year receipts	236 318	844 629
Adjustments	567 727	3 653
Conditions met - transferred to revenue	( 804 045)	( 848 282)
Conditions still to be met - transferred to liabilities (see note 13)	-	-
The Municipality received funds for operational projects, such as funds from LGSETA. Other than the amounts unspent, the conditions of the grants have been met. The only funds delayed at 30 June 2014 was R567 727 from LGSETA.		
<b>30.7 Government Grants and Subsidies - SPENT PER VOTE</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Municipal Manager	-	-
Corporate Services	881 170	4 310 106
Financial Services	2 302 309	1 193 582
Technical Services	3 251 945	15 801 165
Community Services	8 307 659	10 630 659
Electricity Services	4 439 073	877 212
Development & Planning	65 176 077	36 875 313
<b>Total Spent</b>	<b>84 358 233</b>	<b>69 688 037</b>

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<b>31. OTHER INCOME</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Building Plan Fees	3 655 796	2 609 728
Availability Fees (Services)	16 433 742	15 631 575
Land Usage Fees	620 138	654 289
Contributions from External Services	1 741 921	2 204 423
Contributions from Land Sales	95 369	330 609
Insurance Claims	772 096	397 806
Collection costs recovered	3 072 495	2 531 728
Incentive from Grant Funding	11 426 219	9 358 166
Other	5 174 259	3 460 118
<b>Total other income</b>	<b>42 992 033</b>	<b>37 178 442</b>
<b>32. PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
District Municipality	462 035	-
Public Contributions	10 967 352	11 647 838
Donated and Contributed PPE	7 097 249	258 316
Connection Fees	1 422 461	1 917 724
Other	-	-
<b>Total public contributions</b>	<b>19 949 097</b>	<b>13 823 878</b>
<b>32.1 Summary of Public contributions</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Capital Public contributions, Donated and contributed PPE	11 503 188	10 081 948
Operating Public contributions	8 445 908	3 741 930
<b>Total</b>	<b>19 949 097</b>	<b>13 823 878</b>
<b>32.2 District Municipality</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	-	-
Current year receipts	462 035	-
Adjustments	-	-
Conditions met - transferred to revenue	( 462 035)	-
Conditions still to be met - transferred to liabilities (see note 13)	-	-
<b>32.3 Developers Contributions</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 13)	-	-
<b>32.4 Public Contributions</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	1 253 353	2 459 294
Current year receipts	9 918 316	11 170 866
Adjustments	-	( 728 968)
Conditions met - transferred to revenue	(10 967 352)	(11 647 838)
Conditions still to be met - transferred to liabilities (see note 13)	204 318	1 253 353
Refer to Notes 43.12 for detail regarding the restatement of previous year balances.		
Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable. The above Public Contributions receipts includes an amount of R6,4 million for PetroSA's portion of the payment to approved contractors, consultants and/or other service providers under cover of appropriate invoices.		
<b>32.5 Donated and Contributed Property, Plant and Equipment</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Balance unspent at beginning of year	-	-
Current year receipts	7 097 249	258 316
Adjustments	-	-
Conditions met - transferred to revenue	(7 097 249)	( 258 316)
Conditions still to be met - transferred to liabilities (see note 13)	-	-
<b>32.6 Public contributions, Donated and Contributed PPE - PER VOTE</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Municipal Manager	4 036 863	136 845
Corporate Services	225 205	43 860
Financial Services	-	-
Technical Services	6 539 457	9 858 087
Community Services	146 365	1 609 046
Electricity Services	-	-
Development & Planning	7 578 746	-
<b>Total Spent</b>	<b>18 526 636</b>	<b>11 647 838</b>

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33. EMPLOYEE RELATED COSTS

	2014	2013
	R	R
Employee-related costs - Salaries, Wages & Bonuses	122 462 838	113 175 321
Employee-related costs - Contributions for UIF, pensions & medical aids	29 462 279	26 417 421
Contributions to Post Retirement Benefits Provision	18 542 714	18 411 884
Contributions to Long Service Bonus Provision	1 443 987	1 388 263
Contributions to Leave Gratuity Provision	789 278	2 290 743
Travel, motor car, accommodation, subsistence & other allowances	11 922 734	11 850 488
Housing benefits & allowances	784 917	857 678
Overtime payments	8 903 925	8 284 765
Executive packages	7 552 017	7 011 556
Less: Employee costs capitalised and to other operating maintenance	( 518 685)	( 415 192)
<b>Total employee-related costs</b>	<b>201 346 005</b>	<b>189 272 927</b>

Refer to Notes 43.13 for detail regarding the restatement of previous year balances.

REMUNERATION OF KEY MANAGEMENT PERSONNEL:

	2014	2013
	R	R
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	1 167 774	1 082 850
Performance bonuses	125 986	117 920
Car allowance	132 000	132 000
Contributions to UIF, Medical & Pension Funds	211 984	196 605
Group Insurance	-	-
Industrial Council	76	71
<b>Total</b>	<b>1 637 820</b>	<b>1 529 446</b>
<b>Remuneration of the Chief Financial Officer</b>		
Annual remuneration	1 011 372	932 749
Performance bonuses	106 316	99 509
Car allowance	48 000	48 000
Contributions to UIF, Medical & Pension Funds	209 446	217 453
Group Insurance	6 894	6 624
Industrial Council	76	71
<b>Total</b>	<b>1 382 104</b>	<b>1 304 406</b>

Remuneration of individual executive  
30 June 2014

	Technical + Electricity Services	Dev planning & Housing	Corporate Services	Community Services
	R	R	R	R
Annual remuneration	951 871	595 111	755 817	819 506
Performance bonuses	103 333	68 500	85 255	91 534
Acting allowance	10 961	-	-	-
Car allowance	102 000	81 000	120 000	108 000
Contributions to UIF, Medical & Pension Funds	179 160	145 831	141 501	163 930
Group Insurance	6 894	-	5 669	6 894
Industrial Council	76	57	76	76
<b>Total</b>	<b>1 354 296</b>	<b>890 500</b>	<b>1 108 318</b>	<b>1 189 940</b>

Remuneration of individual executive  
30 June 2013

	Technical + Electricity Services	Dev planning & Housing	Corporate Services	Community Services
	R	R	R	R
Annual remuneration	860 522	725 389	678 096	746 799
Performance bonuses	96 718	-	79 797	85 674
Acting allowance	-	-	27 388	-
Car allowance	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Funds	188 511	41 467	151 569	174 200
Group Insurance	6 624	-	5 447	6 624
Industrial Council	71	54	71	71
<b>Total</b>	<b>1 254 447</b>	<b>766 909</b>	<b>1 062 368</b>	<b>1 121 368</b>

34. REMUNERATION OF COUNCILLORS

	2014	2013
	R	R
Executive Mayor	632 385	602 270
Executive Deputy Mayor	510 082	485 790
Speaker	563 129	536 311
Mayoral Committee members	2 456 642	2 139 951
Councillors	4 108 003	3 863 995
Councillors' pension contributions	358 254	376 334
Councillors' medical contributions	53 280	69 120
Travel Cost in Excess of 500km	-	-
<b>Total Councillors' remuneration</b>	<b>8 681 774</b>	<b>8 073 770</b>

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes. Ward Committee members are equipped with cell phones for communication purposes.

**Certification by Municipal Manager**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

**35. DEBT IMPAIRMENT COSTS**

	2014	2013
	R	R
Contribution to Provision for Debt Impairment:	29 282 296	15 091 483
- Rates	313 712	803 972
- Electricity	175 770	773 293
- Water	3 449 128	3 333 032
- Refuse	1 455 134	1 705 124
- Sewerage	4 579 791	7 191 081
- Traffic fines	12 096 722	-
- Collection fees	1 044 043	492 925
- Housing Installments	-	-
- Housing rentals	22 553	233 566
- Land sales	12	-
- Sundry Debtors	185 430	173 021
- Long-term receivables	-	385 469
- Other receivables	5 960 000	-
Bad Debts : Services	-	-
<b>Total debt impairment costs</b>	<b>29 282 296</b>	<b>15 091 483</b>

**36. DEPRECIATION AND AMORTISATION EXPENSE**

	2014	2013
	R	R
<u>Depreciation:</u>		
Property, Plant and Equipment	52 262 071	50 079 058
<u>Amortisation:</u>		
Intangible Assets	19 429	19 743
<b>Total Depreciation and Amortisation costs</b>	<b>52 281 500</b>	<b>50 098 802</b>

Refer to Notes 43.14 for detail regarding the restatement of previous year balances.

**37. FINANCE COSTS**

	2014	2013
	R	R
Finance Leases	245 830	195 546
Other Long-term Liabilities	2 390 124	2 557 801
Current Deposit / Grants	42 854	200 622
<b>Total interest</b>	<b>2 678 808</b>	<b>2 953 969</b>

Refer to Notes 43.15 for detail regarding the restatement of previous year balances.

**38. BULK PURCHASES**

	2014	2013
	R	R
Electricity	187 468 188	174 921 462
Water	8 316 154	15 979 617
<b>Total bulk purchases</b>	<b>195 784 341</b>	<b>190 901 079</b>

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers. The municipality purchases electricity in bulk from Eskom and then redistributes it to consumers. The municipality has some of its own water sources, but also purchases water in bulk from the Department of Water Affairs and Forestry.

**39. CONTRACTED SERVICES**

	2014	2013
	R	R
Account Print	400 946	480 578
AMR System	281 514	268 730
Beautification of CBD	10 943	21 245
Cash Transit	233 953	172 981
CID	441 627	-
Cleansing Services	5 757 842	3 694 144
Cut of Grass	4 300 352	4 087 426
Gardening Services	18 444	28 705
Info System Maintenance	490 330	211 235
Internal Auditors	1 284 276	1 203 118
Life Saving	1 061 965	982 913
Meter Readings	1 146 549	1 060 969
Prepaid System	6 577 658	5 377 887
Refuse Recycling	87 845	95 166
Refuse Removal	3 808 001	3 977 834
Reverse Osmosis Plant	712 440	3 344 067
Sanitation Services	1 056 578	1 031 026
Security Services	4 388 809	1 301 856
Transport Co.	308 048	219 574
Additional Valuations	166 795	409 485
Washing Linen	51 278	51 714
Concessionary Fees- Indigent	208 475	182 606
Desalination plant	4 154 647	4 533 577
<b>Total Contracted services</b>	<b>36 949 315</b>	<b>32 736 835</b>

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40. GRANTS AND SUBSIDIES PAID

	2014	2013
	R	R
Subsidy: Benefit Discount Scheme	256 781	274 388
SPCA	630 000	634 996
Other Donations	118 000	30 000
<b>Total grants &amp; subsidies</b>	<b>1 004 781</b>	<b>939 384</b>

Other Donations:

During 2013/14 Other Donations were made to the amount of R118 000, whereas an amount of R30 000 was donated during 2012/13. Of the R118 000 Other Donations, R25 000 was donated to the Piet Julies Action Group, R50 000 to Heart to Heart care centre, R18 000 to Genesis community projects and R25 000 to the Mossel Bay Care Centre.

41. GENERAL EXPENSES

	2014	2013
	R	R
Audit Fees - External Auditors	3 749 383	3 020 905
Bank Charges	2 028 467	1 828 239
Conferences & Seminars	37 526	41 140
Consultant Fees	1 608 415	2 539 079
Contract Work	5 681 516	4 390 951
Desalination Plant	6 449 457	9 196 666
Entertainment - Public	62 647	122 952
Fuel & Oil	6 821 442	5 854 107
Hire Charges	106 406	75 587
Housing: Top Structures	28 213 826	18 402 933
Industrial & Tourism - Sect. 21 Co	1 990 622	1 990 622
Insurance	2 065 487	1 931 152
Inventory Items	108 832	157 596
Lease Charges	2 735 544	2 123 438
Legal Costs	831 584	920 744
Levy - Bargaining Council	63 951	58 887
Levy - Skills Development (SETA)	1 598 413	1 495 398
Levy - Water : DWAF	278 731	278 716
Levy-Water Catchmt Man:DWAF	763 877	666 481
Licence Fees	359 394	324 114
Materials and Stores	8 336 501	7 818 126
Public Functions	571 587	385 357
Refuse Tip Site - External	2 505 807	2 199 977
Relief / Charitable Expenses	159 670	118 845
Telephones and Communications	1 152 012	1 560 433
Travelling & Subsistence	469 370	530 340
Water Rural Areas	99 852	72 499
Advertising	1 126 384	1 095 088
Postage, Rev Stamps & PO Box	1 364 372	1 339 670
Printing & Stationary	1 277 831	1 288 817
Refuse Bags	1 219 594	1 055 458
Subscriptions	2 015 109	1 686 340
Other	7 815 024	10 635 387
Less:	(2 039 981)	(2 206 382)
Stores handling charges	-	-
Vehicle and Equipment Recoveries	( 46 419)	( 19 642)
Departmental Costs	-	-
Recoverable Expenditure	(1 993 563)	(2 186 740)
	<b>91 628 651</b>	<b>82 999 660</b>

Refer to Notes 43.16 for detail regarding the restatement of previous year balances.

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable. The above Desalination Plant expenditure amount of R6 449 457 is for PetroSA's portion of the payment to approved contractors, consultants and/or other service providers under cover of appropriate invoices.

42. FAIR VALUE ADJUSTMENTS

	2014	2013
	R	R
<u>Investment property:</u>		
- Fair Value adjusted downwards	-	-
- Fair Value adjusted upwards	( 736 631)	(3 164 033)
<u>Biological assets:</u>		
- Fair Value adjusted downwards	-	-
- Fair Value adjusted upwards	( 128 514)	( 115 471)
<b>Total Fair Value adjustments</b>	<b>( 865 145)</b>	<b>(3 279 504)</b>

Refer to Notes 43.17 for detail regarding the restatement of previous year balances.



### 43. PRIOR YEAR ADJUSTMENTS

#### 43.1 Finance Lease Liability (Refer Note 4 - Finance Lease Liability)

During the year the municipality conducted a verification process on lease contracts and the lease register and differences found were corrected on the finance lease liability and interest paid previously incorrectly calculated as a result of incorrect commencement dates and per diem payments not taken into account on some leases on the amortisation schedules.

**Changes to Notes to Annual Financial Statements:**

Finance Lease Liability (Note 4)

TOTAL Finance Lease Liability

Computers, Vehicles & Office Equipment

Balance at 30 June 2013 on 2012/13 Financial Statements

Correction of liability due to commencement dates

Correction of finance charges as a result of commencement dates - (Refer to note 37)

Restated balance of Finance lease liability as at 30 June 2013

**2013**

**R**

2 499 614

( 272 332)

98 769

2 326 051

CURRENT PORTION transferred to current

Computers, Vehicles & Office Equipment

Balance at 30 June 2013 on 2012/13 Financial Statements

Correction of lease liability current portion as a result of commencement dates

Restated balance of Current portion of Finance lease liability as at 30 June 2013

**2013**

**R**

1 042 521

( 144 665)

897 857

Finance Lease Liability are adjusted accordingly.

#### 43.2 Non-current Provisions (Refer Note 6)

During the year the municipality revisited the provision for landfill sites due to concerns relating to the time-value of money. Previously the cost of rehabilitation was provided incorrectly by the engineers and was now rectified within the new provision.

**Changes to Notes to Annual Financial Statements:**

Non-current Provisions (Note 6)

Rehabilitation of Landfill Sites

Balance at 30 June 2013 on 2012/13 Financial Statements

Correction of Provision for Restoration cost of landfill sites

Restated balance of Rehabilitation of Landfill Sites as at 30 June 2013

**2013**

**R**

35 728 216

(3 233 885)

32 494 331

Provision for rehabilitation of landfill sites are adjusted accordingly.

#### 43.3 Payables from exchange transactions (Refer Note 12)

Correction of prior years' bulk purchases creditor provisions. Correction of SALGA levies for the 2011/12 and 2012/13 financial years due to SALGA tariff increases. During the year, the municipality found that there was a property transferred during the year that was not accounted for. The payment received in

**Changes to Notes to Annual Financial Statements:**

Payables from exchange transactions (Note 12)

Total Payables from exchange transactions

Balance at 30 June 2013 on 2012/13 Financial Statements

Decrease in "Trade Payables"

Decrease in "Payments received in advance"

Restated balance of Carrying values at the end of the year

**2013**

**R**

81 937 353

( 686 421)

( 21 930)

81 229 002

Payables from exchange transactions are adjusted accordingly.

#### 43.4 VAT Payable / Receivable (Refer Note 14)

Correction of prior years' VAT incorrectly claimed on traffic fines.

**Changes to Notes to Annual Financial Statements:**

VAT Payable / Receivable (Note 14)

Balance at 30 June 2013 on 2012/13 Financial Statements

Decrease in VAT Receivable

Restated balance of VAT Receivable / (Payable) as at 30 June 2013

**2013**

**R**

2 959 404

( 616 885)

2 342 519

VAT Receivable are adjusted accordingly.

**43.5 Property, Plant & Equipment (Refer Note 15)**

Various processes were followed in order to ensure completeness of PPE. Changes to cost and accumulated depreciation includes developer contributed infrastructure capital assets, Library books, transfer of WIP regarding Thusong centre and identified changes to land and buildings due to verification against the deeds office records.

**Changes to Notes to Annual Financial Statements:**

**COST:**

**PPE(Note 15) - Cost**

	<b>2013</b>
	<b>R</b>
Balance at 30 June 2013 on 2012/13 Financial Statements	1734 740 309
Contributed PPE donated by developers (Sewerage, Water, Roads & Pavements) - Opening Balance	210 384 389
PPE not controlled by Municipality (Sewerage, Water, Roads & Pavements) - Opening Balance	(6 170 009)
Reversal of disposal of assets found during the 2014 asset count - Opening Balance	21 302
Reversal of disposal of assets found during the 2014 asset count - 2012/13	22 811
Land and buildings not previously included in the asset register - Opening Balance	7 665 200
Correction of Provision for Restoration cost of landfill sites - Opening Balance	(1 607 710)
Correction of Provision for Restoration cost of landfill sites - 2012/13	(1 626 175)
Reclassification from IP of Pine grove Farm, sites 25 & 46 Great Brak river - Opening Balance	14 200 000
Reclassification from IP (Asset codes 46960 & 47439) - Opening Balance	720 000
Sites disposed not taken out of asset register - Opening Balance	( 229 100)
Disposal of items replaced - Opening Balance	( 229 451)
Transfer WIP regarding Thusong centre to IP - 2012/13	(12 950 899)
First time recognition of donated Library books - 2012/13	258 316
First time recognition of donated Library books - Opening Balance	283 774
Professional fees on Asazani/Izinyoka top structures incorrectly classified as infrastructure - Opening Balance	(1 134 589)
Professional fees on Asazani/Izinyoka top structures incorrectly classified as infrastructure - 2012/13	( 204 436)
Restated balance of PPE - Cost as at 30 June 2013	<u><u>1944 143 731</u></u>

**ACCUMULATED DEPRECIATION:**

**PPE(Note 15) - Accumulated Depreciation**

	<b>2013</b>
	<b>R</b>
Balance at 30 June 2013 on 2012/13 Financial Statements	333 044 989
Depreciation on Contributed PPE donated by developers(Sewerage, Water, Roads & Pavements) - Opening Balance	29 104 271
Depreciation on Contributed PPE donated by developers(Sewerage, Water, Roads & Pavements) - 2012/13	5 812 240
Depreciation on PPE not controlled by Municipality (Sewerage, Water, Roads & Pavements) - Opening Balance	( 440 674)
Depreciation on PPE not controlled by Municipality (Sewerage, Water, Roads & Pavements) - 2012/13	( 15 863)
Reversal of Acc Depreciation of PPE not correctly unbundled - Opening Balance	(1 119 166)
Reversal of Accumulated Depreciation of PPE not correctly unbundled - 2012/13	( 893 689)
New Accumulated Depreciation of PPE not correctly unbundled - Opening Balance	147 846
Reversal of Accumulated Depreciation of PPE not controlled by Municipality - Opening Balance	(3 252 773)
Reversal of Accumulated Depreciation of PPE not controlled by Municipality - 2012/13	( 167 811)
Correction of Depreciation on assets without initial useful lives - Opening Balance	9 748
Correction of Depreciation on assets without initial useful lives - 2012/13	6 572
Reversal of depreciation written back on disposal of assets found during the 2014 asset count - Opening Balance	14 731
Reversal of depreciation written back on disposal of assets found during the 2014 asset count - 2012/13	17 359
Reversal of Acc depreciation on disposed assets found during the 2014 asset count - Opening Balance	( 31 604)
Recalculation of Acc Depreciation on disposed assets found during the 2014 asset count - Opening Balance	21 716
Reversal of Acc depreciation on disposed assets found during the 2014 asset count - 2012/13	( 486)
Recalculation of Acc Depreciation on disposed assets found during the 2014 asset count - 2012/13	4 907
Depreciation on initial recognition of land and buildings not previously included in asset register - Opening Balance	44 019
Depreciation on initial recognition of land and buildings not previously included in asset register - 2012/13	8 794
Reversal of Depreciation on Restoration costs for landfill sites - Opening Balance	( 97 127)
Recalculated Depreciation on correction of Restoration costs for landfill sites - Opening Balance	603 356
Reversal of Depreciation on Restoration costs for landfill sites - 2012/13	(3 053 874)
Recalculated Depreciation on correction of Restoration costs for landfill sites - 2012/13	2 701 374
Acc Depreciation on finalisation of WIP with a construction date prior to 1 July 2012 - Opening Balance	133 581
Acc Depreciation on finalisation of WIP with a construction date prior to 1 July 2012 - 2012/13	281 333
Reversal of Depreciation on items replaced - Opening Balance	( 159 780)
Reversal of Acc Depreciation on duplication with the finalisation of WIP - 2012/13	( 13)
Acc Depreciation on first time recognition of donated Library books - Opening Balance	3 634
Acc Depreciation on first time recognition of donated Library books - 2012/13	8 469
Restated balance of PPE - Accumulated Depreciation as at 30 June 2013	<u><u>362 736 081</u></u>

Cost and Accumulated Depreciation on Property, plant and equipment are adjusted accordingly.

**43.6 Biological Assets (Refer Note 16)**

The municipality identified the plantation on Pine grove Farm, sites 25 & 46 Great Brak river, as a biological asset. Although sites 25 & 46 was part of the asset register, the plantation on the sites was not previously recognised as biological assets.

**Changes to Notes to Annual Financial Statements:**

**COST:**

**Biological Assets (Note 16) - Cost**

Balance at 30 June 2013 on 2012/13 Financial Statements

Initial recognition of Biological assets - Opening Balance

Recognition of fair value adjustments on Biological assets - 2012/13

Restated balance of Biological Assets as at 30 June 2013

**2013**

**R**

-

1 717 510

115 471

1 832 981

**FAIR VALUE ADJUSTMENT**

**Biological Assets (Note 16) - Fair Value Adjustment**

Balance at 30 June 2013 on 2012/13 Financial Statements

Recognition of fair value adjustments on Biological assets - 2012/13

Restated balance of Biological Assets - Fair Value Adjustment as at 30 June 2013

**2013**

**R**

-

115 471

115 471

Cost and fair value adjustment on biological assets are adjusted accordingly.

**43.7 Investment Property (Refer Note 18)**

Various processes were followed in order to ensure completeness of Investment Property. Changes to cost and accumulated fair value adjustments include the transfer of WIP regarding the Thusong centre, the reclassification of sites 25 & 46 Great Brak river as PPE and other minor changes due to verification against the deeds office records.

**Changes to Notes to Annual Financial Statements:**

**COST:**

**Investment Properties (Note 18) - Cost**

Balance at 30 June 2013 on 2012/13 Financial Statements

Reclassification to PPE of Pine grove Farm, sites 25 & 46 Great Brak river - Opening Balance

Reversal of fair value adj on reclassification to PPE of Pine grove Farm, sites 25 & 46 Great Brak river - Opening Balance

Reversal of fair value adj on reclassification to PPE of Pine grove Farm, sites 25 & 46 Great Brak river - 2012/13

Initial recognition of land per registration in deeds office - Opening Balance

Reversal of Fair value adjustments on property incorrectly classed as IP - 2012/13

Reclassification to PPE (Asset codes 46960 & 47439) - Opening Balance

Reversal of Fair value adjustments on property incorrectly classed as IP - Opening Balance

Sites disposed not taken out of asset register - Opening Balance

Transfer WIP regarding Thusong centre from PPE - 2012/13

Restated balance of PPE as at 30 June 2013

**2013**

**R**

332 575 501

(14 200 000)

12 875 000

(45 000)

2 065 000

(30 000)

(720 000)

(35 000)

(1 751 941)

12 950 899

343 684 459

**FAIR VALUE ADJUSTMENT**

**Investment Property (Note 18) - Fair Value Adjustment**

Balance at 30 June 2013 on 2012/13 Financial Statements

Reversal of fair value adj on reclassification to PPE of Pine grove Farm, sites 25 & 46 Great Brak river - 2012/13

Reversal of Fair value adjustments on property incorrectly classed as IP - 2012/13

Restated balance of Investment Property - Fair Value Adjustment as at 30 June 2013

**2013**

**R**

3 239 033

(45 000)

(30 000)

3 164 033

Cost and fair value adjustment on investment property are adjusted accordingly.

**43.8 Heritage Assets (Refer Note 19)**

During the year the municipality had Abathathu vuluers CC perform a valuation on the monument on Erf 3626, Mossel Bay. This was previously disclosed as a heritage asset that have been identified, but no value could be provided.

**Changes to Notes to Annual Financial Statements:**

**COST:**

**Heritage Assets (Note 19) - Cost**

Balance at 30 June 2013 on 2012/13 Financial Statements

Initial recognition of the Heritage asset War monument at Mossel Bay point - Opening Balance

Restated balance of PPE as at 30 June 2013

**2013**

**R**

4 130 596

95 003

4 225 599

Cost heritage assets are adjusted accordingly.

Annual Financial Statements for the year ended 30 June 2014

**43.9 Assets classified as held for sale (Refer Note 21)**

During the year the municipality found that there were two erven previously transferred that was not accounted for and still formed part of assets classified as held for sale.

**Changes to Notes to Annual Financial Statements:**

Assets classified as held for sale (Note 21)

Carrying values at the end of the year

Balance at 30 June 2013 on 2012/13 Financial Statements

Increase in "PPE sold during the year"

Restated balance of Carrying values at the end of the year

**2013**

**R**

6 329 640

( 70 000)

6 259 640

Assets classified as held for sale are adjusted accordingly.

**43.10 Inventory (Refer Note 22)**

During the year various materials and spare parts was found that existed at year-end and should have been included in the closing balance of inventory. Housing Topstructures inventory relating to professional fees on the Asazani/Izinyoka housing project was previously incorrectly included in PPE housing infrastructure. All topstructures relating to this project is now shifted to inventory where houses have not been handed over to beneficiaries.

**Changes to Notes to Annual Financial Statements:**

Inventory (Note 22)

Balance at 30 June 2013 on 2012/13 Financial Statements

Increase in "Maintenance materials - at cost"

Increase in "Spare parts"

Increase in "Housing Topstructures"

Restated balance of Inventory as at 30 June 2013

**2013**

**R**

10 493 912

5

21 518

1 397 325

11 912 759

Inventory are adjusted accordingly.

**43.11 Other Receivables from Non-exchange Transactions (Refer Note 24)**

Reversal of payments received in advance relating to motor maintenance plan costs not recognised as an expense after expiry date. Correction of a payment that included a reversal of deposits paid to Heiderand trust.

**Changes to Notes to Annual Financial Statements:**

Other Receivables from Non-exchange Transactions (Note 24)

Balance at 30 June 2013 on 2012/13 Financial Statements (Including Provision for debt impairment of other receivables)

Decrease in "Payments made in advance"

Decrease in "Other"

Restated balance of Other Receivables from Non-exchange Transactions as at 30 June 2013

**2013**

**R**

39 822 476

( 38 171)

( 15 200)

39 769 105

Other Receivables from Non-exchange transactions are adjusted accordingly.

**43.12 Public contributions, donated and Contributed PPE (Refer Note 32)**

Recognition of donated and contributed PPE regarding the first time recognition of donated Library books.

**Changes to Notes to Annual Financial Statements:**

Public contributions, donated and Contributed PPE (Refer Note 32)

Balance at 30 June 2013 on 2012/13 Financial Statements

Increase in "Donated and Contributed PPE"

Restated balance of "Donated and Contributed PPE" as at 30 June 2013

**2013**

**R**

-

258 316

258 316

Public contributinos, donated and contributed PPE are adjusted accordingly.

**43.13 Employee Related Costs (Refer Note 33)**

Correction of employee related cost relating to workmens compensation of prior years.

**Changes to Notes to Annual Financial Statements:**

Employee Related Costs (Note 33)

Balance at 30 June 2013 on 2012/13 Financial Statements

Increase in "Travel, motor car, accommodation, subsistence & other allowances"

Restated balance of Total employee-related costs as at 30 June 2013

**2013**

**R**

189 218 147

54 780

189 272 927

Employee related costs are adjusted accordingly.

Annual Financial Statements for the year ended 30 June 2014

**43.14 Depreciation and amortisation expense (Refer Note 36)**

Various changes to depreciation expense relating to corrections of accumulated depreciation under property, plant and equipment. (Refer to note 43.5 for further details)

**Changes to Notes to Annual Financial Statements:**

Depreciation and amortisation Expenses (Note 36)

Balance at 30 June 2013 on 2012/13 Financial Statements	
Increase in "Depreciation - Property, Plant and Equipment"	
Decrease in "Depreciation - Property, Plant and Equipment"	
Restated balance of Total Depreciation and Amortisation costs as at 30 June 2013	

**2013**

R
45 327 752
8 902 784
(4 131 735)
<u>50 098 802</u>

Depreciation expenses are adjusted accordingly.

**43.15 Finance Costs (Refer Note 37)**

During the year the municipality conducted a verification process on lease contracts and the lease register and differences found were corrected on the finance lease liability and interest paid previously incorrectly calculated as a result of incorrect commencement dates and per diem payments not taken into account on some leases on the amortisation schedules.

**Changes to Notes to Annual Financial Statements:**

Finance Costs (Note 37)

Balance at 30 June 2013 on 2012/13 Financial Statements	
Decrease in finance cost relating to "Finance leases"	
Restated balance of Total Finance Costs as at 30 June 2013	

**2013**

R
3 052 737
( 98 769)
<u>2 953 969</u>

Finance costs are adjusted accordingly.

**43.16 General Expenses (Refer Note 41)**

Various corrections under general expenses relating to television licenses, attorneys fees, reversal of deposits paid to Heiderand trust and sundry expenses posted in the incorrect period.

**Changes to Notes to Annual Financial Statements:**

General Expenses (Note 41)

Balance at 30 June 2013 on 2012/13 Financial Statements	
Decrease in "Housing: Top Structures"	
Increase in "Lease Charges"	
Increase in "Licence Fees"	
Increase in "Subscriptions"	
Increase in "Other"	
Restated balance of Total General Expenses as at 30 June 2013	

**2013**

R
82 974 454
( 58 300)
15 200
750
1 250
66 306
<u>82 999 660</u>

General expenses are adjusted accordingly.

**43.17 Fair Value Adjustments (Refer Note 42)**

Various changes to fair value adjustments relating to changes to accumulated fair value adjustments under investment properties and biological assets. (Refer to notes 43.6 and 43.7 for further detail)

**Changes to Notes to Annual Financial Statements:**

Fair Value Adjustments (Note 42)

Balance at 30 June 2013 on 2012/13 Financial Statements	
Decrease in "Investment Property - Fair Value adjusted upwards"	
Increase in "Biological assets - Fair Value adjusted upwards"	
Restated balance of Total Depreciation and Amortisation costs as at 30 June 2013	

**2013**

R
(3 239 033)
75 000
( 115 471)
<u>(3 279 504)</u>

Fair value adjustments are adjusted accordingly.

**43.18 Statement of financial performance (Refer Statement of financial performance)**

Various changes to collection cost, repairs and maintenance and loss on de-recognition of PPE relating to changes under VAT payable, inventory and property, plant and equipment.

**Changes directly to statement of financial performance:**

Collection costs (Financial Performance):

Balance at 30 June 2013 on 2012/13 Financial Statements	
Increase in "Collection cost"	
Restated balance of Total Depreciation and Amortisation costs as at 30 June 2013	

**2013**

R
5 942 566
236 445
<u>6 179 011</u>

Repairs and maintenance (Financial Performance):

Balance at 30 June 2013 on 2012/13 Financial Statements	
Decrease in "Repairs and maintenance"	
Restated balance of Total Depreciation and Amortisation costs as at 30 June 2013	

37 487 642
( 21 518)
<u>37 466 124</u>

Loss on de-recognition of Property, Plant & Equipment (Financial Performance):

Balance at 30 June 2013 on 2012/13 Financial Statements	
Increase in "Loss on de-recognition of PPE"	
Decrease in "Loss on de-recognition of PPE"	
Restated balance of Total Depreciation and Amortisation costs as at 30 June 2013	

1 129 489
138 170
( 5 452)
<u>1 262 207</u>

The statement of financial performance are adjusted accordingly.

Annual Financial Statements for the year ended 30 June 2014

**43.19 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:**

During the year various prior year adjustments was made to the Statement of Financial Position. The following is a summary of all the movements in the prior year balances:

**Changes to Net assets and Liabilities:**

Balance as at 30 June 2013 (as stated in the 2012/13 Annual Financial Statements):

**Net assets:**

Accumulated surplus / (deficit)

**Non-Current Liabilities:**

Finance Lease Liability (Refer to note 43.1)

Non-current Provisions (Refer to note 43.2)

**Current Liabilities:**

Payables from exchange transactions (Refer to note 43.3)

Restated balance of Net assets and Liabilities as at 30 June 2013

**Changes to Assets:**

Balance as at 30 June 2013 (as stated in the 2012/13 Annual Financial Statements):

**Non-current Assets:**

Property, Plant & Equipment (Refer to note 43.5)

Biological Assets (Refer to note 43.6)

Investment Property (Refer to note 43.7)

Heritage Assets (Refer to note 43.8)

**Current Assets:**

VAT Payable / Receivable (Refer to note 43.4)

Assets classified as held for sale (Refer to note 43.9)

Inventory (Refer to note 43.10)

Other Receivables from Non-exchange Transactions (Refer to note 43.11)

Restated balance of Assets as at 30 June 2013

**43.20 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE:**

During the year various prior year adjustments was made to the Statement of Financial Performance. The following is a summary of all the movements in the prior year balances:

Surplus for the year (as stated in 2012/13 Annual Financial Statements):

**Revenue adjustments:**

Public Contributions, donated and contributed PPE (Refer note 43.12)

**Expenditure adjustments:**

Employee Related Cost (Refer note 43.13)

Depreciation and amortisation expense (Refer note 43.14)

Finance Costs (Refer note 43.15)

General Expenses (Refer note 43.16)

Fair Value Adjustments (Refer note 43.17)

Collection Costs (Refer note 43.18)

Repairs and maintenance (Refer note 43.18)

Loss on de-recognition of Property, Plant & Equipment (Refer note 43.18)

Restated Surplus for the year

**43.21 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:**

During the year various prior year adjustments was made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the prior year balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

**Changes to Accumulated Surplus:**

Balance as at 30 June 2013 (as stated in the 2012/13 Annual Financial Statements):

Finance Lease Liability (Refer to note 43.1)

Non-current Provisions (Refer to note 43.2)

Payables from exchange transactions (Refer to note 43.3)

Property, Plant & Equipment (Refer to note 43.5)

Biological Assets (Refer to note 43.6)

Investment Property (Refer to note 43.7)

Heritage Assets (Refer to note 43.8)

VAT Payable / Receivable (Refer to note 43.4)

Assets classified as held for sale (Refer to note 43.9)

Inventory (Refer to note 43.10)

Other Receivables from Non-exchange Transactions (Refer to note 43.11)

Restated balance of Accumulated Surplus as at 30 June 2013

**Changes to Capital Replacement Reserve:**

Balance as at 30 June 2013 (as stated in the 2012/13 Annual Financial Statements):

None

Restated balance of Capital Replacement Reserve as at 30 June 2013

**Changes to Housing Development Fund:**

Balance as at 30 June 2013 (as stated in the 2012/13 Annual Financial Statements):

None

Restated balance of Housing Development Fund as at 30 June 2013

2013  
R  
2035 228 662

197 543 661

197 543 661

(3 407 448)

(173 563)

(3 233 885)

(708 351)

(708 351)

2228 656 524

2035 228 662

192 749 272

179 712 330

1 832 981

11 108 958

95 003

678 590

(616 885)

(70 000)

1 418 847

(53 371)

2228 656 524

2013  
R  
69 575 498

258 316

258 316

5 059 443

54 780

4 771 050

(98 769)

25 206

(40 471)

236 445

(21 518)

132 718

64 774 371

2013  
R  
1617 317 380

173 563

3 233 885

708 351

179 712 330

1 832 981

11 108 958

95 003

(616 885)

(70 000)

1 418 847

(53 371)

1814 861 041

59 783 414

-

59 783 414

800 765

-

800 765

Annual Financial Statements for the year ended 30 June 2014

**44. CHANGE IN ACCOUNTING POLICY**

No adjustments due to changes in the accounting policy occurred during the current financial year.

**45. CHANGE IN ACCOUNTING ESTIMATES**

**45.1** Changes in Useful lives (Refer Note 15 - PPE & Note 17 - Intangible assets)

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current period on the affected capital assets:

	2014
	R
Movement in depreciation and amortisation:	
Before change in estimate	6 972 446
After change in estimate	5 744 508
Net effect	1 227 939

**46. RESTATEMENT OF COMPARATIVE INFORMATION**

2013

**46.1** Service Charges (Note 29), Grants and subsidies Paid (Note 40) and General expenses (Note 41)

R

Revenue forgone was previously recognised as expenditure, but is now disclosed as a decrease in revenue.

**Changes to Notes to Annual Financial Statements:**

Service Charges (Note 29)

Balance at 30 June 2013 on 2012/13 Financial Statements	428 098 208
Decrease in "Sale of water"	(11 180 199)
Decrease in "Refuse removal"	(8 605 462)
Decrease in "Sewerage & sanitation charges"	(12 005 832)
Restated balance of Service Charges as at 30 June 2013	396 306 714

Grants and subsidies Paid (Note 40)

Balance at 30 June 2013 on 2012/13 Financial Statements	4 763 961
Decrease in "Grant in Aid (Services)"	(3 824 577)
Restated balance of Grants and subsidies Paid as at 30 June 2013	939 384

General expenses - "Transfer to Equitable Share" (Note 41)

Balance at 30 June 2013 on 2012/13 Financial Statements	27 966 916
Decrease in "Transfer to Equitable Share"	(27 966 916)
Restated balance of General expenses as at 30 June 2013	-

Service charges, grants and subsidies paid and general expenses are adjusted accordingly.

**47. COMPARISON WITH BUDGET**

2013

**Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:**

R

Net surplus/(deficit) per the statement of financial performance 166 469 943

Net surplus/(deficit) as per approved budget 30 319 686

Variance to be explained (refer to Statement of Comparison of Budget and Actual amounts for detail) 136 150 257

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

**Expenditure per VOTE: OPERATIONAL**

	Budget:	Actuals:	Variance:
	R	R	R
Municipal Manager & Executive Council	64 777 822	50 279 268	14 498 554
Corporate Services	28 255 810	27 831 132	424 678
Financial Services	24 928 300	23 114 320	1 813 980
Technical Services	111 740 277	102 735 326	9 004 951
Community Services	133 381 977	129 269 158	4 112 819
Electricity Services	242 798 487	238 510 397	4 288 090
Development and Planning	120 746 222	92 890 157	27 856 065
	726 628 895	664 629 757	61 999 138

**Detail of Material Variances:**

The variance of R14.5 million for the MM and Executive council is due to funds budgeted for transfers of land sales and External services contributions to reserves, which was transferred through the Statement of Changes in Net Assets and not through the Statement of Financial Performance.

The underspending on Financial services is mainly due to savings on General expenditure and Collection costs.

The underspending on Technical services is mainly due to savings on Bulk Purchases, General expenditure and Debt impairment costs.

The underspending on Community services is mainly due to savings on Depreciation charges and Employee Related costs.

The underspending on Electricity services is mainly due to savings on Bulk purchases.

The underspending on Development and Planning services is mainly due to underspending on Housing Top structures of Asazani/Izinyoka project. It must be noted that an amount of R24 million was transferred from the Top structure expenditure vote to Inventory. In this case the municipality acts as the developer and not the account administrator as in the case of the Kwa'Nonqaba People's housing project. In the case of Asazani/Izinyoka project the expenditure is only incurred in accordance with GRAP 12 once the houses have been handed over to the beneficiaries.

**Annual Financial Statements for the year ended 30 June 2014**

**Expenditure per VOTE: CAPITAL**

	<b>Budget:</b>	<b>Actuals:</b>	<b>Variance:</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Municipal Manager & Executive Council	3 925 000	3 915 880	9 120
Corporate Services	2 007 489	1 758 769	248 720
Financial Services	226 933	154 956	71 977
Technical Services	27 491 921	24 758 824	2 733 097
Community Services	15 950 134	14 948 963	1 001 171
Electricity Services	22 082 255	21 632 633	449 622
Development and Planning	50 854 486	47 111 628	3 742 858
	<b>122 538 218</b>	<b>114 281 653</b>	<b>8 256 565</b>

**Detail of Material Variances:**

The underspending on Corporate Services is mainly due to savings on projects.

The underspending on Technical services of R2.7 million is due to shipping delays, low demand in water and sewerage connections and savings on projects.

The underspending on Community services of R1 million was mainly due to savings on the New Thusong centre and Upgrade of Greenhaven sport fields. This was MIG funds received and was utilised for the Amy Searle - improvement of storm water project.

The underspending on Electricity services of R449 622 is mainly due to the new connections budget being underspent. Connections are made on request and a low demand was experienced during the year.

The underspending of R3.7 million under Development and Planning is mainly due to the underspending on the Asazani/Izinyoka Housing project. The replacement of 66 erven occupied by informal settlement and relocation of informal settlement caused delays. Contractor is on site and a relocation programme was put in place.

**48. CASH GENERATED BY OPERATIONS**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>Surplus / (Deficit) for the year</b>	<b>166 469 943</b>	<b>64 774 371</b>
<b><u>Adjustment for:</u></b>		
Depreciation and Amortisation	52 281 500	50 098 802
Depreciation - Previous year adjustment		
Gain and loss on derecognition of property, plant and equipment	746 297	1 144 851
Fair Value adjustment	( 865 145)	(3 279 504)
Contributions to provisions (non-current)	-	-
Contributions to provisions (current)	222 552	739 768
Employee Benefits (non-current)	11 472 566	10 540 647
Employee Benefits (current)	3 490 429	2 731 259
Actuarial loss	2 810 566	1 480 973
Actuarial gains	(74 476 137)	(5 260 589)
Contributions to bad debt provision	16 320 429	15 023 637
Bad Debts written off	(13 159 519)	(19 192 384)
Investment Income	(14 172 494)	(13 041 666)
Interest on Unamortised discounts	-	-
Operating Lease Income	( 51 631)	( 430)
Operating Lease Expenses	308 923	407 885
Finance costs	2 678 808	2 953 969
<b>Operating surplus before working capital changes:</b>	<b>154 077 086</b>	<b>109 121 589</b>
(Increase) / Decrease in inventories	(24 458 087)	2 072 429
(Increase) / Decrease in receivables from exchange transactions	(5 177 956)	5 557 286
(Increase) / Decrease in receivables from non-exchange transactions	3 213 563	( 579 309)
(Decrease) / Increase in unspent / unpaid conditional grants & receipts	3 247 463	(11 585 018)
Increase / (Decrease) in VAT payable/receivable	(2 464 430)	(1 923 555)
Increase / (Decrease) in Payables from exchange transactions	8 421 204	14 882 979
<b>Cash generated by operations</b>	<b>136 858 843</b>	<b>117 546 400</b>

**49. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Finance lease liability (see note 4)	2 250 062	2 326 051
Other Long-term liabilities (see note 5)	26 565 036	28 573 426
Used to finance PPE - at cost	-	-
Sub-total	<b>28 815 097</b>	<b>30 899 477</b>

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 26).



**50. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE**

**50.1 Unauthorised expenditure**

	2014 R	2013 R
Reconciliation of unauthorised expenditure		
Opening balance	132 304	464 387 699
Unauthorised expenditure current year	-	132 304
Approved by council or condoned	( 132 304)	(464 387 699)
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	-	132 304

**50.2 Irregular expenditure**

	2014 R	2013 R
Reconciliation of irregular expenditure		
Opening balance	-	-
Irregular expenditure current year	-	25 000
Condoned or written off by Council	-	-
Recovered	-	( 25 000)
To be recovered - contingent asset	-	-
Irregular expenditure awaiting condonement	-	-

2014

Incident	Disciplinary steps/criminal proceedings
None	None

2013

Incident	Disciplinary steps/criminal proceedings
Cash theft	Employee resigned - SAPS case number MAS no. 67/7/2012

**50.3 Fruitless & wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

**51. ADDITIONAL DISCLOSURES i.t.o THE MFMA**

**51.1 Contributions to SALGA**

	2014 R	2013 R
Opening balance	-	-
Council subscriptions	1 794 394	1 504 676
Amount paid - current year	(1 794 394)	(1 504 676)
Amount paid - previous years	-	-
<b>Balance unpaid (included in Payables from exchange transactions)</b>	-	-

**51.2 Audit fees**

	2014 R	2013 R
<b>External Audit Fees</b>		
Opening balance	-	-
Current year audit fee	3 749 383	3 020 905
Amount paid - current year	(3 749 383)	(3 020 905)
Amount paid - previous years	-	-
<b>Balance recoverable (included in Payables from exchange transactions)</b>	-	-
<b>Internal Audit Fees</b>		
Opening balance	-	-
Current year audit fee	1 284 276	1 203 118
Amount paid - current year	(1 284 276)	(1 203 118)
Amount paid - previous years	-	-
<b>Balance unpaid (included in Payables from exchange transactions)</b>	-	-

**51.3 VAT**

	2014 R	2013 R
Vat payable / (receivable)	4 806 948	2 342 519

All VAT returns have been submitted by the due date throughout the year.

**51.4 PAYE and UIF**

	2014 R	2013 R
Opening balance	-	-
Current year payroll deductions	22 105 887	21 066 219
Amount paid - current year	(22 105 887)	(21 066 219)
Amount paid - previous years	-	-
<b>Balance recoverable (included in Payables from exchange transactions)</b>	-	-

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	2014 R	2013 R
<b>51.5 Pension, Provident and medical aid contributions, Group insurance</b>		
Opening balance	-	-
Current year payroll deductions and council contributions	48 661 240	43 515 020
Amount paid - current year	(48 661 240)	(43 515 020)
Amount paid - previous years	-	-
<b>Balance unpaid (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

**51.6 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding as at 30 June for more than 90 days:

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
<b>30 June 2014</b>			
R Skombingo	34	-	34
<b>Total Councillor Arrear Consumer Accounts</b>	<b>34</b>	<b>-</b>	<b>34</b>
<b>30 June 2013</b>			
R Skombingo	435	176	259
MM van Wyk	129	129	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>435</b>	<b>176</b>	<b>259</b>

During the year the following councillors had arrear accounts outstanding for more than 90 days:

	Month	Highest Amount Outstanding R	Ageing
<b>1 July 2013 to 30 June 2014</b>			
R Skombingo	July 2013 to June 2014	268	90+ days
MM van Wyk	May 2014	255	90+ days
NP Jwili	April 2014	5	90+ days
<b>1 July 2012 to 30 June 2013</b>			
R Skombingo	July 2012 to June 2013	259	90+ days
M Boom	October 2012	2	90+ days

**51.7 Non-compliance with Chapter 11 of the MFMA**

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

**CLOSED QUOTATIONS / TENDERS:**

MONTH	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	Above R200 000
July 2013	265 032	293 422	64 216	334 661	-
Aug 2013	125 364	265 355	70 195	-	-
Sep 2013	187 754	307 173	53 878	111 865	-
Oct 2013	170 274	205 513	131 940	259 582	-
Nov 2013	176 381	147 376	96 226	175 500	281 266
Dec 2013	78 955	108 974	50 861	-	-
Jan 2014	199 220	217 312	374 887	166 186	1 400 000
Feb 2014	186 860	241 082	248 286	198 000	-
Mar 2014	183 710	167 646	178 907	142 348	431 250
Apr 2014	183 911	304 320	93 629	-	-
May 2014	267 479	182 082	369 102	150 699	-
Jun 2014	212 301	151 291	56 175	-	-
<b>Grand Total</b>	<b>2 237 241</b>	<b>2 591 546</b>	<b>1 788 303</b>	<b>1 538 840</b>	<b>2 112 516</b>

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved Supply Chain Management Policy.

**51.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS**

	2014 R	2013 R
Levy Department of Water Affairs and Forestry : Water	278 731	278 716
Levy Department of Water Affairs and Forestry : Water Catchment Management	763 877	666 481
Skills Development Levy	1 598 413	1 495 398
Levy Bargaining Council	63 951	58 887

**51.9 MATERIAL LOSSES**

Electricity distribution losses

	2014 R	2013 R
- Units purchased (kWh)	284 653 360	280 522 409
- Units lost during distribution (kWh)	21 732 318	23 177 734
- Percentage lost during distribution	7.63%	8.26%

These losses are due to Technical losses on the distribution system (transformers, cables, overhead lines), Faulty meters, Theft and Vandalism.

Water distribution losses

	2014 R	2013 R
- Mega litres purified	7 253	7 306
- Mega litres lost during distribution	888	1 293
- Percentage lost during distribution	12.24%	17.69%

These losses are due to Defective meters, Losses on water network (breakage in pipelines and pumps, leaking valves, etc.), Evaporation, Theft, Vandalism and Damages due to blind excavations.

**52. CONTRACTUAL COMMITMENTS**

	2014	2013
	R	R
Commitments in respect of capital expenditure:		
-approved and contracted for	21 261 672	19 195 259
Infrastructure	16 503 538	19 146 537
Community	318 784	48 722
Other	4 439 350	-
-approved, but not yet contracted	55 971 294	34 424 914
Infrastructure	29 368 095	28 653 626
Community	-	4 531 579
Other	26 603 199	1 239 709
<b>TOTAL</b>	<b>77 232 965</b>	<b>53 620 173</b>
<u>This expenditure will be financed from:</u>		
-Capital replacement reserve	39 960 657	22 295 000
-Government grants	36 125 121	27 454 373
-Public contributions / donations	1 147 187	3 870 800
	<b>77 232 965</b>	<b>53 620 173</b>

**53. RELATED PARTIES**

Parties are considered to be related if:

- One party has the ability to control the other party or
- Exercise significant influence over the other party in making financial and operating decisions.

**53.1 Related Party Transactions**

**Year ended 30 June 2014**

	Rates and service charges	Outstanding balances
	R	R
Councillors	241 951	34
Municipal Manager and Section 57 Personnel	69 178	-
Municipal Entities	-	-

**Year ended 30 June 2013**

Councillors	242 456	435
Municipal Manager and Section 57 Personnel	75 007	-
Municipal Entities	-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

**53.2 Joint Venture - Jointly controlled asset**

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Title and ownership of the Desalination facility shall vest in the Municipality and PetroSA proportional to their respective funding contributions.

Refer to notes 15, 32.4 and 41 for more detail on these transactions.

**53.3 Related Party Loans**

Loans to Councillors and senior management  
Loans that were granted prior to this date, together with the conditions, are disclosed in note 19 to the Annual Financial Statements.

**53.4 Compensation of key management personnel**

The compensation of key management

**53.5 Other related party transactions**

No contracts were awarded to key management personnel/councillors or their close family members during the year under review.

The following are awards above R2 000 made to close family members of anybody in the service of the state.

**QUOTATIONS:**

<b>QUOTATION</b>	<b>AWARDED TO</b>	<b>TOTAL AMOUNT FOR 13/14 YEAR</b>	<b>RELATION</b>
Sewerage Infrastructure emergency repairs	A2 Loodgieters / Mabungwe Siviell	583 407	The wife of Mr A Nel (the owner) is employed by the Department of Correctional Services
Re Valuation investment property 2013/14 financial year	Abathathu Valuers CC	139 449	Gert Fourie a valuer at Mossel Bay Municipality is a cousin to one of the owners of Abathathu Valuers
Repair of two holes in border wall at Greenhaven Sportsground	Andries Pikaan	13 250	The Wife of Andries Pikaan is an employee of the Department of Health.
Street and General Repairs	Benver Civils and Plant Hire	44 667	The owner of Benver Civils and Plant Hire is the father in law of an employee of Mossel Bay Municipality (Martin)
Translation Services	Chestlin Jantjies	7 350	The mother of Mr Jantjies (the owner) is an employee at Mossel Bay Municipality(M Pick)
Repairs and renovations to the Haven Homeless Shelter and paving	Coalition Trading 1317 CC	144 500	The wife of Mr P Meintjies (the owner) is an employee at Theewaterskloof Municipality(A Tobias-Meintjies)
Several Electrical Services	Electronics Services	36 761	The owner of Electronics Services is the Son in Law of an employee at Mossel Bay Municipality (E Stipp)
Hire of Sound system	Harmony Sounds	4 500	One of the owner of Harmony sounds is employed by PetroSA
Rust repairs	Kuyler Bakwerke	27 116	The wife of the owner of Kuyler Bakwerke is an employee at Mossel Bay Municipality (Yolande Kuyler)
Several Infrastructure repairs	LNJ Konstruksie	211 835	The owner of LNJ Konstruksie is the son of the Executive Mayor of Mossel Bay Municipality.
Survey Cost	M.J Van Schalkwyk	6 522	MJ van Schalkwyk is the husband of AHC van Schalkwyk who is an employee at Mossel Bay Municipality
Hire of machinery	Marracon	96 922	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality
Actuarial report in line with GRAP 25 in respect of post employment health care benefits long service awards and ex gratia pensioners	Poneso Actuarial Consultants	21 489	The wife of one of the Directors is an employee at the Department of Health.
Cleaning and removal services	Rika's Cleaning Services	73 650	The husband of the owner is a general worker at Mossel Bay Municipality
Tarring of Streets and Roads: Slipway Cape Road	SMEC South Africa	121 304	The Daughter of an Employee of Mossel Bay Municipality works for SMEC(P Myburgh)
Repairs and supply of machinery and infrastructure parts	Volts and Welds	324 320	The owner of Volts and Welds is the cousin of an employee of Mossel Bay Municipality

**TENDERS:**

TENDER	DATE	AWARDED TO	AMOUNT	RELATION
Tender 02-13/14	18/12/2013	Benver Civils and Plant Hire	3 233 736	The owner of Benver Civils and Plant Hire is the father in law of an employee of Mossel Bay Municipality (Martin Lorre)
Tender 25-13/14	25/03/2014	LNJ Konstruksie	441 896	The owner of LNJ Konstruksie is the son of the Executive Mayor of Mossel Bay Municipality.
Tender 29-13/14	19/12/2013	Benver Civils and Plant Hire	836 816	The owner of Benver Civils and Plant Hire is the father in law of an employee of Mossel Bay Municipality (Martin Lorre)
Tender 52-13/14	01/04/2014	Benver Civils and Plant Hire	606 381	The owner of Benver Civils and Plant Hire is the father in law of an employee of Mossel Bay Municipality (Martin Lorre)
Tender 63-13/14	23/05/2014	Marracon	174 836	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality
Tender 64-13/14	29/04/2014	Marracon	12291.48	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

**54. FINANCIAL RISK MANAGEMENT**

**Credit risk** is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

**Market risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

**Interest rate risk** is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

**Other price risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

**Liquidity risk** is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument	2014 R	2013 R
Long term receivables	2 060 173	2 324 421
Receivables from Exchange transactions	57 063 366	51 885 410
Other Receivables from Non-Exchange transactions	31 274 214	34 487 776
Cash and Cash Equivalents	243 836 485	208 299 502
<b>Maximum credit and interest rate risk exposure</b>	<b>334 234 237</b>	<b>296 997 109</b>

**55. FINANCIAL INSTRUMENTS**

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

<b>SUMMARY OF FINANCIAL ASSETS</b>		<b>2014</b>	<b>2013</b>
<b>Short-term Investment Deposits:</b>		<b>R</b>	<b>R</b>
Short-term Investment Deposits	At amortised cost	230 654 452	205 000 000
<b>Bank Balances and Cash:</b>			
Bank Balances	At amortised cost	13 163 073	3 280 542
Petty cash and advances	At amortised cost	18 960	18 960
<b>Long-term Receivables:</b>			
Study Loans	At amortised cost	114 938	80 276
Land Sales Debtors	At amortised cost	16 833	24 110
Public Assistance Loans	At amortised cost	106 051	178 613
Housing Selling Scheme Loans	At amortised cost	1 822 352	2 041 422
<b>Receivables from Exchange transactions:</b>			
Service debtors	At amortised cost	32 389 201	30 578 447
Debtback Collections	At amortised cost	7 133	5 469
Land Sales	At amortised cost	1 389	1 426
Housing Instalments	At amortised cost	884 916	533 197
Housing rentals	At amortised cost	211 880	163 495
Sundry Debtors	At amortised cost	1 237 408	1 721 242
<b>Other Receivables from Non-Exchange transactions:</b>			
Rates	At amortised cost	6 219 986	6 207 862
Fines	At amortised cost	1 001 873	-
Accrued Income	At amortised cost	20 337 439	20 884 844
Government subsidies	At amortised cost	-	5 960 000
Other	At amortised cost	1 677 747	1 426 387
<b>Unpaid conditional grants and receipts:</b>			
Unpaid conditional grants and receipts	At amortised cost	4 769 729	-
<b>Total Financial Assets</b>		<b>314 637 373</b>	<b>278 108 305</b>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>		<b>2014</b>	<b>2013</b>
<b>Long term liabilities:</b>		<b>R</b>	<b>R</b>
Local registered stock loans	At amortised cost	472 536	564 176
Long term loan		24 000 000	26 000 000
Annuity loans	At amortised cost	-	-
<b>Lease liability:</b>			
Finance lease liability	At amortised cost	1 253 609	1 428 194
<b>Payables from exchange transactions:</b>			
Trade and Other Payables	At amortised cost	76 322 621	71 061 056
<b>Unspent conditional grants and receipts:</b>			
Unspent conditional grants and receipts	At amortised cost	15 643 163	7 625 972
<b>Cash and Cash Equivalents:</b>			
Bank Overdraft	At amortised cost	-	-
<b>Current portion of long term liabilities:</b>			
Local registered stock loans	At amortised cost	92 500	9 250
Long term loan		2 000 000	2 000 000
Annuity loans	At amortised cost	-	-
<b>Current portion of Lease liability:</b>			
Finance lease liability	At amortised cost	996 452	897 857
<b>Total Financial Liabilities</b>		<b>120 780 882</b>	<b>109 586 505</b>

The following methods and assumptions are used to determine the fair value / amortised cost of each class of financial instrument:

**Cash and Cash Equivalents**

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

**Trade and Other receivables / payables**

The carrying amount of trade and other receivables (net of provision for debt impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

**Long-term Receivables / payables**

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

**Increase in interest rates**

The estimated increase in basis points

Financial Assets  
Financial Liabilities  
Net effect on surplus (Financial Assets minus Financial Liabilities)

	2014		2013	
		1%		1%
	<b>R</b>		<b>R</b>	
	3 146 374		2 781 083	
	<u>1 207 809</u>		<u>1 095 865</u>	
	<u><b>1 938 565</b></u>		<u><b>1 685 218</b></u>	

**56. CONTINGENT LIABILITIES / ASSETS**

**56.1 Contractual disputes**

Below is a list of possible liability claims where the outcome was unknown at 30 June 2014 with the maximum unforeseen liability for the Municipality:

- Allandale and others v Mossel Bay Municipality: This is a claim for flood damages to the amount of R16 516 054.
- Stonetrade Trust v Mossel Bay Municipality: This is a claim with regards to Mid-income housing to the amount of R64 220 976.
- Belstow v Mossel Bay Municipality: This is a claim with regards to the cancellation of contract for Traffic cameras to the amount of R6 679 588.
- Attpower (Pty) Ltd v Mossel Bay Municipality: This is a claim based on so-called breach of contract to the amount of R83 849 227.
- SALA Pension Fund v Various municipalities: This is a claim to the amount of R307 349

**56.2 Guarantees of employees housing loans**

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R58 485, and council has a right to recovery.

**56.3 Contingent Assets**

The Municipality is currently in a dispute with Eden District Municipality regarding ownership of Erven 264 and 271, Reebok. If Mossel Bay Municipality succeeds in the dispute it will lead to the properties being added to their asset register.

**57. EVENTS AFTER THE REPORTING DATE**

From the 10th to the 14th of August 2014, Mossel Bay was experiencing outbreaks of riots in town, supposedly because of service delivery issues. Criminal elements were involved and incidents of xenophobia as well as looting on a large scale occurred. A school, a police station and a Thusong multi-purpose centre were also targeted and damaged. All damages (including roads and other infrastructure and the municipal building in Kwanongaba) will be assessed by the municipality and the insurers.

**Note 58: Implication of standards approved but not yet effective:**

Std. no.	Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 18	Segment reporting	Entire standard	N	<p><b>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</b></p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> <li>1) Segment revenue for every reportable segment.</li> <li>2) Segment results for every reportable segment.</li> <li>3) Segment assets for every reportable segment.</li> <li>4) The total cost incurred during the period to acquire reportable segment long term assets.</li> <li>5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements.</li> </ol> <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix B, C, D and E.</p>
GRAP 105	Transfers of Functions Between Entities under Common Control	Entire Standard	N	<p><b>Not applicable to Mossel Bay Municipality at this stage.</b></p>



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GRAP 106	Transfers of Functions Between Entities Not under Common Control	Entire Standard	N	<b>Not applicable to Mossel Bay Municipality at this stage.</b>
GRAP 107	Mergers	Entire Standard	N	<b>Not applicable to Mossel Bay Municipality at this stage.</b>

# APPENDICES

## Appendix A : Schedule of External Loans

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014										
External loans	Institution	Loan number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed / written off during the period	Unamortised discount on loans	Balance at 30 June 2014	Carrying value of PPE	Other costs in accordance with the MFMA
<b>STOCK LOANS</b>				R	R	R		R	R	R
Stock loan @ 15.00%	Hartenbos Tennisklub	1/97	2012/12/31	( 0)				( 0)	-	-
Stock loan @ 15.00%	KBR Tennisklub	2/97	2012/12/31	0				0	-	-
Stock loan @ 15.00%	Vista Rolbalklub	1/99	2013/12/31	621		9 250	8 629	0	-	-
Stock loan @ 15.00%	Hartenbos Bowling club	2/99	2015/12/31	92 500				92 500	-	-
Stock loan @ 15.00%	St Blaze Moel Vlieers	2/2000/01	2015/11/01	13 538				13 538	-	-
Stock loan @ 15.00%	Hartenbos Bowling Club	1/2000/01	2015/07/20	92 308				92 308	-	-
Stock loan @ 15.00%	Mosselbaai Tennisklub	4/2000/01	2016/03/01	13 847				13 847	-	-
Stock loan @ 15.00%	Mosselbaai Aero club	1/2001/02	2016/10/01	178 462				178 462	-	-
Stock loan @ 15.00%	Mosselbaai Harriers	2/2001/02	2016/10/01	36 924				36 924	-	-
Stock loan @ 15.00%	Mosselbaai Bowling club	1/2002/03	2018/03/07	61 539				61 539	-	-
Stock loan @ 12.00%	Boggomsbaai Golf club	2/2003/04	2018/10/31	30 714				30 714	-	-
Stock loan @ 12.00%	Hartenbos Tennisklub	1/2003/04	2018/09/18	52 973			( 7 770)	45 204	-	-
<b>Total long-term loans</b>				<b>573 426</b>	<b>-</b>	<b>9 250</b>	<b>859</b>	<b>565 036</b>	<b>-</b>	<b>-</b>
<b>LONG-TERM LOANS</b>										
DBSA loan R30m	Development Bank of South Africa	1/2012/02	2027/06/30	28 000 000	-	2 000 000		26 000 000	-	-
<b>Total annuity loans</b>				<b>28 000 000</b>	<b>-</b>	<b>2 000 000</b>	<b>-</b>	<b>26 000 000</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>28 573 426</b>	<b>-</b>	<b>2 009 250</b>	<b>859</b>	<b>26 565 036</b>	<b>-</b>	<b>-</b>

**Appendix B : Segmental analysis of Statement of Financial Performance (Mun Dept classification)**

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014						
MUNICIPAL DEPARTMENT CLASSIFICATION						
2013	2013	2013		2014	2014	2014
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
33 886 007	49 682 442	(15 796 435)	Municipal Manager & Council	110 528 688	50 421 349	60 107 340
1 095 492	17 699 189	(16 603 697)	Manager Corporate Services	866 229	18 186 466	(17 320 238)
8 069 976	5 567 515	2 502 461	Socio Economic Plan and Dev	1 515 288	9 480 920	(7 965 632)
17 692 677	51 806 530	(34 113 853)	Town planning & Building control	16 996 672	56 722 509	(39 725 838)
9 395 213	6 002 980	3 392 232	Libraries	8 440 228	6 584 276	1 855 952
84 497 569	33 241 080	51 256 489	Manager Financial Services	90 525 436	38 196 500	52 328 937
290	4 980 390	(4 980 101)	Manager Technical Services	291	3 831 055	(3 830 765)
284 351 030	207 873 881	76 477 149	Electricity	310 298 423	227 829 436	82 468 987
47 190 631	31 182 961	16 007 670	Sewerage	53 181 201	29 488 997	23 692 204
92 889 290	81 063 944	11 825 346	Water	98 824 123	69 955 050	28 869 073
( 606 659)	5 227 251	(5 833 910)	Manager Community Services	1 259 848	5 887 062	(4 627 214)
7 983 695	7 412 164	571 531	Caravan Parks and Chalets	7 092 479	8 412 575	(1 320 096)
307 608	572 593	( 264 985)	Cemeteries	317 772	706 198	( 388 426)
39 215 918	34 393 105	4 822 813	Cleansing	40 658 250	36 130 271	4 527 979
42 409 739	27 128 535	15 281 205	Integrated Human Settlements	63 902 182	34 358 741	29 543 441
12 279 674	30 994 418	(18 714 744)	Public Safety and Rescue Services	21 593 238	42 999 044	(21 405 806)
3 572 446	26 833 628	(23 261 182)	Parks and Recreation	5 099 353	27 479 289	(22 379 936)
<b>684 230 596</b>	<b>621 662 607</b>	<b>62 567 989</b>	Sub Total	<b>831 099 700</b>	<b>666 669 738</b>	<b>164 429 962</b>
	2 206 382	(2 206 382)	Less inter-dep charges		2 039 981	(2 039 981)
<b>684 230 596</b>	<b>619 456 225</b>	<b>64 774 371</b>	<b>Total</b>	<b>831 099 700</b>	<b>664 629 757</b>	<b>166 469 943</b>

**Appendix C : Segmental analysis of Statement of Financial Performance (GFS classification)**

<b>SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014</b>						
<b>GFS CLASSIFICATION</b>						
<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>SEGMENT</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
<b>Actual income</b>	<b>Actual expenditure</b>	<b>Surplus/ (deficit)</b>		<b>Actual income</b>	<b>Actual expenditure</b>	<b>Surplus/ (deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
9 096 161	11 802 825	(2 706 663)	Community & Social Services	10 017 848	13 177 537	(3 159 689)
284 351 030	207 873 881	76 477 149	Electricity	310 298 423	227 829 436	82 468 987
33 886 007	46 624 178	(12 738 172)	Executive & Council	110 427 811	46 838 746	63 589 066
85 578 582	60 767 421	24 811 161	Finance & Admin	91 468 940	64 762 230	26 706 710
42 409 739	25 334 132	17 075 608	Housing	63 902 182	33 388 902	30 513 279
-	905	( 905)	Other	-	4 233	( 4 233)
12 644 638	20 083 041	(7 438 402)	Planning and Development	6 997 463	23 522 893	(16 525 430)
12 279 674	30 994 418	(18 714 744)	Public Safety	21 593 238	42 999 044	(21 405 806)
13 113 244	29 764 655	(16 651 412)	Road Transport	7 997 558	34 171 206	(26 173 649)
11 556 141	34 245 791	(22 689 650)	Sport and Recreation	12 191 832	35 891 864	(23 700 032)
39 215 918	34 393 105	4 822 813	Waste Management	40 658 250	36 130 271	4 527 979
47 210 171	38 714 310	8 495 861	Waste Water Management	56 722 033	37 998 328	18 723 705
92 889 290	81 063 944	11 825 346	Water	98 824 123	69 955 050	28 869 073
<b>684 230 596</b>	<b>621 662 607</b>	<b>62 567 990</b>	Sub Total	<b>831 099 700</b>	<b>666 669 738</b>	<b>164 429 962</b>
	2 206 382	(2 206 382)	Less inter-dep charges		2 039 981	(2 039 981)
<b>684 230 596</b>	<b>619 456 225</b>	<b>64 774 371</b>	<b>Total</b>	<b>831 099 700</b>	<b>664 629 757</b>	<b>166 469 943</b>

**Appendix D : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)**

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2013												
Name of VOTE	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per vote)												
MUNICIPAL MANAGER		1 144 075	22 665 000	15 734 000	11 801 000	67 405	9 545 264	11 025 237	8 616 364	22 045 997	-	178 618
CORPORATE SERVICES		-	-	109 121	349 831	180 494	252 955	202 277	394 235	357 706	567 727	(0)
FINANCIAL SERVICES		245 056	2 190 000	(22 800)	400 000	9 062	436 478	405 557	321 470	1 385 744	-	272 069
TECHNICAL SERVICES		-	7 449 457	1 000 000	1 765 476	(63 159)	6 620 001	1 162 255	2 062 739	306 780	-	0
COMMUNITY SERVICES		80 923	3 152 000	3 070 467	4 603 441	(1 416 186)	542 114	2 224 457	3 056 777	3 645 001	-	22 296
ELECTRICITY SERVICES		-	3 400 000	-	1 682 000	-	1 254 743	1 338 967	322 056	2 144 777	-	21 457
DEVELOPMENT PLANNING & HOUSING		6 155 917	13 467 330	30 097 435	21 159 363	13 545 919	14 897 857	18 535 594	15 298 182	25 315 336	-	10 378 994
TOTAL PUBLIC CONTR. & DONATED PPE		7 625 972	52 323 787	49 988 223	41 761 111	12 323 534	33 549 412	34 894 344	30 071 823	55 201 340	567 727	10 873 435

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2014												
Name of GRANT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per grant)												
EQUITABLE SHARE	NATIONAL	-	19 665 000	15 732 000	11 799 000	-	8 185 558	8 437 586	8 561 809	22 011 047	-	-
FINANCE MANAGEMENT GRANT	NATIONAL	84 243	1 300 000	-	-	-	404 501	303 725	210 230	465 786	-	(0)
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	17 475	890 000	(22 800)	-	477	31 977	87 217	111 240	654 719	-	(0)
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	6 342	7 000 000	7 193 000	5 747 000	0	2 228 612	5 168 663	6 848 036	5 701 032	-	(0)
HOUSING EMERGENCY KITS	PAWC	-	-	-	302 400	-	-	-	314 426	(12 026)	-	-
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Human Settlements	6 065 677	9 146 330	25 937 812	20 242 397	4 498 864	12 017 431	16 035 532	12 516 341	14 969 500	-	10 352 275
FINANCE MANAGEMENT SUPPORT GRANT	PAWC	143 338	-	-	400 000	8 585	-	14 615	-	265 239	-	272 069
SUBSIDY - MAIN ROADS	PAWC	-	-	-	35 000	-	-	-	35 000	-	-	-
EXTENDED PUBLIC WORKS PROGRAMME	PAWC	-	896 000	672 000	672 000	-	1 096 207	432 777	347 102	354 382	-	9 532
LIBRARY SERVICES	PAWC - Culture Affairs & Sport	-	347 000	354 842	352 220	8 425	251 398	275 085	278 123	257 880	-	(0)
FURNITURE, TOOLS, EQUIPMENT - WARD	M.S.I.G	-	-	22 800	-	(477)	16 256	5 113	-	954	-	(0)
BOOK DETECTION SYSTEM	L.S.C.G	55 544	230 000	-	-	-	-	-	-	271 760	-	13 784
COMMUNITY DEVELOPMENT WORKERS	Department of Social Services	-	-	-	65 600	-	-	-	36 021	29 579	-	(0)
LGWSETA SKILLS DEVELOPMENT	LGWSETA	-	-	86 321	94 231	55 766	236 699	197 164	288 213	81 968	567 727	-
ELECTRIFICATION PROJECTS	NER	-	3 400 000	-	1 682 000	-	1 254 743	1 338 967	322 056	2 144 777	-	21 457
CLEANEST MUNICIPALITY COMPETITION	PAWC	-	-	-	105 263	-	-	-	-	105 263	-	-
EMERGENCY RELIEF GRANT	EDEN DISTRICT	-	-	-	-	462 035	-	-	-	462 035	-	-
DONATED PPE	PUBLIC CONTRIBUTION	-	-	-	-	7 097 249	-	-	-	7 097 249	-	-
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES	PUBLIC CONTRIBUTION	1 253 353	9 449 457	12 248	264 000	192 610	7 826 030	2 597 900	203 225	340 197	-	204 317
TOTAL GRANTS		7 625 972	52 323 787	49 988 223	41 761 111	12 323 534	33 549 412	34 894 344	30 071 823	55 201 340	567 727	10 873 435